Government Corruption and Social Dialogue; a Cultural Approach to Why Labor Market Reforms in Greece Fail

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Master Thesis

Summary

It is only recently that the influence of culture has been investigated in the field of economics. Several cultural dimensions have been developed in order to capture the multidimensional spectrum of culture. Among the several cultural dimensions identified throughout the literature, this study focuses on one, in particular, the national attitude towards uncertainty developed by Geert Hofstede. Uncertainty avoidance is the extent in which people tolerate ambiguity and uncertainty. In countries ranking high on that dimension, among others, feelings of anxiety, fairness, and security prevail. A distinctive example of a country ranking high on the uncertainty avoidance index (in reality it ranks first) is Greece.

Having in mind the country's high ranking on the uncertainty avoidance index, a case study in Greece is developed. This case study investigates the influence of uncertainty avoidance on labor market reforms. In addition, the impact of the European debt crisis on Greece is acknowledged. Hence, based on the analysis by Inklaar and Yang (2012), which acknowledges the relationship of a financial crisis and uncertainty (uncertainty comes to the fore in times of crises), this study is examining the influence of uncertainty avoidance on labor market reforms in Greece during the recent European debt crisis.

Focusing on the labor market reforms, the study takes into consideration the consequences of the crises, as well as the indirect impact of uncertainty avoidance on two variables that according to the theory influence labor market reforms. These two variables are; government corruption and social dialogue. According to the conducted empirical analysis, the results provide evidence that both social dialogue and government corruption have a statistically significant influence on labor market reforms.

Nevertheless, as in all case studies, this case study succumbs to a number of limitations. In particular, the limited data availability hampers the ability to reach valid conclusions. Moreover, the non-stationary variables restrict the study from conducting a time series analysis, and as such the empirical approach was limited to the estimation of a correlation analysis. Additionally, due to a significant assumption made in the empirical part of the study as well as the study design itself, the results obtained cannot be generalized.

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1. Introduction

The European debt crisis is one of the most significant events of the first decade of the 21st century. Owning to the global credit crunch that took place in 2007, many things changed in the world economy. Losses of the European banks attributed to their exposure to the subprime mortgage crisis in US, reductions in the bank lending and investments, as well as the fall of the European house prices resulted in an economic downturn. At the end of 2009, the first signs of the crisis appeared. Aiming to trace its origins, a variety of causes are being identified. Increased private sector debts, the governments' inability to refinance or repay their debts, and the absence of a fiscal union among the euro zone members are acknowledged as some the major causes. Not all euro zone members, however, experienced the consequences of the crisis to the same extent. Greece, Portugal, Ireland, Spain and Cyprus stand out as the countries that faced the impact of the crisis in a severe way. In Ireland for instance, the crisis arose from the state's consecutive bailout programs towards the over-indebted banks that financed the property bubble. On the other hand, in Greece, the crisis arose from the governments' overspending. In both countries, structural reforms from the governing parties were implemented. A number of support mechanisms such as the European Financial Stability Facility (EFSF), the European Stability Mechanism (ESM), the European Central Bank (ECB) and the International Monetary Fund (IMF) provided additional assistance.

Even though both countries were following instructions under the supervision of the same institutions, the implementation of reforms did not yield the same results. Ireland managed to implement effectively the necessary measures, and in 2013 an access to financial markets was granted. Whereas Ireland demonstrated signs of improvement and managed to get back on its feet that was not the case in Greece. The insufficient and ineffectively implemented reforms contributed to a prolonged recession. Until May 2016, thirteen austerity packages were passed on by the Greek governments. Why did reforms in Greece fail while in Ireland proved to be successful? Was there an omission or negligence of important information? What could have been done instead? Among others, if these questions are answered, a substantial explanation of why labor market reforms in Greece fail could have been provided.

Within a variety of different factors, uncertainty can partially provide an explanation to all these questions. More specifically, Inklaar and Yang (2012) elaborate on the negative effects of the crisis on uncertainty avoidance. Introducing a cultural perspective the authors find that a financial crisis has a larger negative effect in countries with a higher level of uncertainty avoidance. Taking into consideration Inklaar and Yang's research, tolerance of uncertainty could be the lost ring of the chain that could justify the diverging reform results in Ireland and Greece.

Tolerance of uncertainty or uncertainty avoidance is a national cultural dimension developed by Geert Hofstede. Deriving information regarding the scores in the uncertainty avoidance dimension with respect to Ireland and Greece, the ranks both countries share are more than interesting. Ireland ranks on a shared 68th place while Greece ranks in the 1st place (Hofstede et. al, 2010), an indication that Greece is not just a country that ranks high in the uncertainty avoidance index but a country with the highest level of uncertainty avoidance. Hence, acknowledging the negative effects of the crisis and the high uncertainty avoidance level in

Greece, a case study can be developed. In particular, the influence of the European debt crisis and uncertainty avoidance on the implementation of structural reforms can be empirically tested. With respect to the structural reforms that have been implemented in Greece, this study focuses on the labor market reforms.

Government corruption and social dialogue are two variables directly related to the labor market reforms. As it will be explained later, politicians were accused of being involved in different forms of corruption acts. Such acts include the exploitation of political power for personal gain and preservation of their popularity by promoting friendly faces to administrative positions that could support their re-election. Additionally, social dialogue consists a fundamental principal directly related with labor market reforms. The right of interested parties (trade unions, employers) to express their ideas and reflect upon significant labor market issues was partially hampered. A characteristic example that resulted in this outcome was the belief that the involvement of trade unions and employers in labor market issues was rather costly and inefficient. Subsequently, in this study government corruption and social dialogue, two essential determinants of the labor market reforms are taken into consideration, while the influential role of uncertainty avoidance is equally acknowledged.

1.1 Problem statement

The influence of the European debt crisis on uncertainty avoidance and the impact of both on labor market reforms is examined thoroughly in this study. Its main focus will be on the government corruption and social dialogue, their relevance to labor market reforms and the influence of uncertainty on that relationship. Conducting an in depth analysis, this study aims to provide a clearer picture of how Greece ranking first in the uncertainty avoidance index affected the implementation of labor market reforms. Having all these in mind, an effort to address the following research question is made:

Which is the influence of uncertainty avoidance on labor market reforms in Greece, in time of the European debt crisis?

Additionally, in order to answer the research question, a theoretical background needs to be established. More specifically, the impact of government corruption and social dialogue on labor market reforms needs to be investigated, while the influential role of uncertainty avoidance also needs to be acknowledged. On the aftermath, the developed theoretical concept will be empirically tested. Aiming to provide a structured analysis, the three following sub-questions will be answered:

1. *According to the theory, what is the relationship between labor market reforms and the two variables, government corruption and social dialogue?*
2. *What is the influence of the uncertainty avoidance on this relationship?*
3. *How do high scores on the uncertainty avoidance dimension influence these variables?*

1.2 Relevance

The incorporation of culture in the field of economics is rather recent. This new venture started when economists realized the significant influence of culture on different economic variables. More specifically, according to Bloom (2009), high uncertainty prevails in times of crisis, political instability, and economic imbalances. Similarly, Inklaar and Yang (2012) recognize the negative effects of the financial crisis and its impact on investments by taking into account high levels of uncertainty avoidance. Additionally, Dow (2015) and Panagiotopoulou et. al (2013) examine uncertainty from a different perspective, the one of emotions, feelings and subjective well-being. Furthermore, Danopoulos (2014) describes the unwillingness of past governments to tackle structural reforms (high regulated labor market, lack of competitiveness etc.) and how uncertainty ''supported'' government corruption. In the above-mentioned literature, uncertainty avoidance and its influence on other variables is examined. In this study, the influence of uncertainty avoidance on government corruption and social dialogue will consist the center of the analysis.

The usefulness of cultural dimensions and more specifically the one of uncertainty avoidance can be realized by examining its relevance with structural reforms. With respect to the labor market reforms, governments as implementers and the European institutions (ECB, EU, IMF) as proposers of those reforms, could extend and adjust their programmes taking into consideration a country's ranking in the uncertainty avoidance index. Consequently, if more effective, country-specific reforms were developed based on each country's cultural characteristics, then the predetermined goals of those reforms might be more easily assured. In Greece, however, the successful implementation of structural reforms and the achievement of predetermined results was far from reality. Efforts were made, the derived results, however, were not as expected. Did the country's high ranking in the uncertainty avoidance index have a determinated influence that led to that failure? This study will try to provide an answer to that question.

1.3 Research design

According to theory, government corruption and social dialogue between trade unions and social partners are two variables directly linked with the labor market, and as such with the labor market reforms. A significant variable, though, which has been omitted from the majority of the researches up until the last decade, is the national cultural dimension of uncertainty avoidance. Examining the influence of uncertainty avoidance on government corruption and social dialogue, the existence and significance of this influence can be realized. In order to obtain a detailed view regarding how that influence actually takes place and affects labor market reforms in Greece, a case study seems the appropriate approach to address this topic. The course of the country before and after the burst of the European debt crisis, when signs of necessary adjustments became obvious and the actual implementation of those reforms took place, will be examined. On the aftermath, recognizing the important and influential role of uncertainty avoidance on government corruption and social dialogue, their effect on the labor market reforms will be investigated.

1.4 Structure of the study

In the next chapter (Chapter 2) the theoretical background regarding uncertainty avoidance and the European debt crisis will be discussed. In Chapter 3 a qualitative analysis examines labor market reforms in Greece acknowledging its two determinants (government corruption and social dialogue). The last part of this chapter describes some of the reforms that were implemented in the Greek labor market and provides an explanation to the question; Why did these reforms fail? Chapter 3 ends with the development of two hypotheses, which are empirically examined in Chapter 4. Hence, Chapter 4 consists the quantitative part of this study, leading to a discussion with respect to the obtained empirical results. Chapter 5 ends with the conclusion of the study about the effects of uncertainty avoidance on labor market reforms.

2. Theoretical framework

Before diving deeper into the analysis that examines the impact of uncertainty avoidance on labor market reforms, a conceptual model is being developed and examined in order to establish a strong and valid theoretical background. The first two sub-questions raised in chapter one, if answered, will contribute to the establishment of the necessary theoretical background that needs to be provided. More specifically, the relationship between labor market reforms and the two examined variables (government corruption and social dialogue) will be analyzed. On the same time, the influential role of uncertainty avoidance on that relationship will be clarified.

In this chapter, a conceptual model is being developed. The theoretical framework that will be provided in the next sections of this chapter will be explaining the components of this model. I will start with general information regarding the role and influence of culture on the field of economics, while the focus of the study will remain on the uncertainty avoidance dimension (Section 2.1). Thereafter, a short section with respect to the European debt crisis and its general impact on the economy will be provided (Section 2.2). This chapter ends with a short conclusion regarding the theoretical framework that has been provided.

Figure 1: *Examined conceptual model*
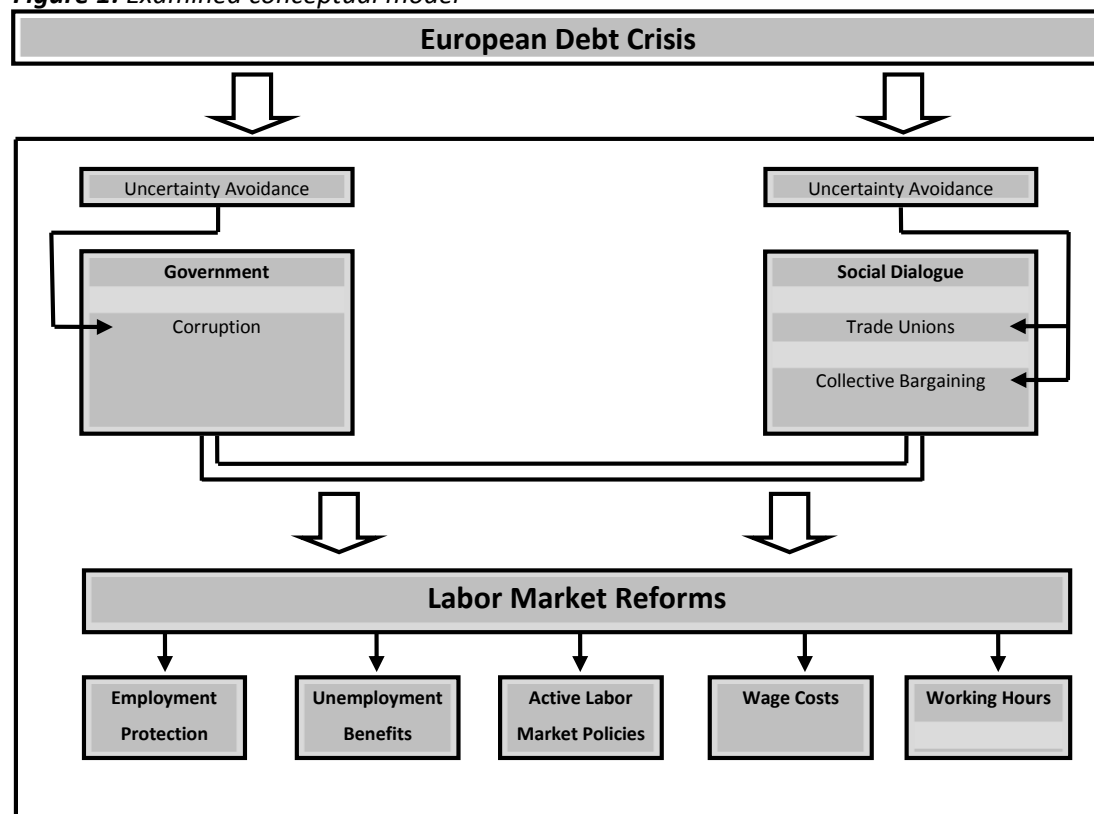
2.1 Culture in economics

The origins of culture in the field of economics are traced in the beginning of the 19ᵗʰ century. In 1905, Max Weber in his work ''The Protestant Ethic and the Spirit of Capitalism'' first emphasized how strong and significant the relationship between culture and religion is

(Weber, 1930). More specifically, he realized that where Protestantism prevails, capitalism flourishes and existing moral values are in support of hard working and frugal habits, which in their turn, influence ''believers' economic behavior'' (Becker & Woessmann, 2007). Up until Weber's analysis was published, Adam Smith in his book ''The Wealth of Nations'' published in 1776, also took into consideration the influential role of culture in the field of economics (De Jong, 2009). However, the establishment of culture as an independent variable in the field of economics later, was what made Weber's essay significant; the interpretation of culture and its relationship with the field of economics became clearer (De Jong, 2009).

In the next few years, major changes contributed to the negligence of culture from the field of economics. In particular, the shift of economics from focusing on issues related to production, consumption and allocation of goods to economizing; a view that supports the claim that ''agents are assumed to optimize an objective function to constraints'' (De Jong, p. 3), resulted in the indifference of abstract terms, such as the one of culture (De Jong, 2009). However, the re-emergence of culture into the field of economics was rather expected. The so far supported economizing view, according to Petrakis (Petrakis, 2014) had two weaknesses. Firstly, it failed to provide valid results derived from the implementation of mathematical methods and secondly, worldwide economical political imbalances, such as the end of the Cold War, the fall of the Berlin Wall, influenced the economic thinking and resulted in the development of several economic theories, others in favor of the incorporation of culture in the economic science while others not.

Institutional economics, evolutionary economics, and behavioral economics are all economic theories that elaborate on the role of culture (De Jong, 2009). Incorporating culture, though, in all these theories, a clearer picture of what culture stands for, what it represents and how it is facilitated in the scientific field of economics needs to be explained. Planning to provide an answer to these questions, a literature survey proves that there are many definitions. The definition of culture is exploited differently depending on the scientific field, whether that is anthropology, sociology or economics (Throsby, 2001). The most frequently used in the economic science, and therefore used in this study, is the one developed by Geert Hofstede. Specifically, Geert Hofstede defines culture as ''the collective programming of the mind that distinguishes the members of one group or category of people from another'' (Hofstede et al., 2010, p. 6).

2.1.1 Cultural dimensions

Power Distance, Individualism versus Collectivism, and Masculinity versus Femininity represent the three cultural dimensions developed by Geert Hofstede, while the last one, Uncertainty Avoidance consists the center of this study (Hofstede et al., 2010). Hofstede's cultural dimensions are based on surveys conducted on IBM's employees, a multinational corporation operating in 40, and later in 50 countries (Carr, 2004). Originally, in each country where IBM was based, employees participated in two rounds of interviews that took place in 1967–69 and 1971–73 (De Jong, 2009). An average of the employees' answers pointed out the similar problems people in each country had to deal with, emphasizing, however, the necessity of providing a different solution in each country's case owning to differences among these areas (Hofstede et al., 2010). Hence, those differences resulted in the development of the cultural variables or cultural dimensions.

Additionally, it is worth acknowledging that apart from Hofstede's contribution, there are also other well-known (or important) studies, such as the ones developed by Schwartz (Schwartz,

2006) and the Globe Project (House et al., 2004), which provide different insights. What mainly distinguishes these studies is their methodological approach. Nevertheless, in each case, the development of national cultural dimensions remains the center of attention. Even though, each author partly uses different terminology to define his/her conceptualized and developed cultural dimensions, the content of those still remains if not the same, very similar.

2.1.2 Uncertainty avoidance

Examining the uncertainty avoidance dimension, a brief description of how uncertainty is defined in the economic science follows. According to Dow (2015), uncertainty ''arises from the openness of the economic system whereby the future is not knowable even in principle'' (p. 34). Nonetheless, it is yet important that besides the introductory definition of uncertainty presented above, a definition of the uncertainty avoidance, as it will be used in this study, should also be provided. Uncertainty avoidance is defined as ''the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations'' (De Mooij, 2003, p. 113). Bearing in mind those two definitions, this section continues with the analysis focusing on uncertainty and uncertainty avoidance.

Crisis, political instabilities, and economic imbalances are all distinctive periods of time that are accompanied by significant increases in uncertainty (Bloom, 2009). However, the phenomenon of reverse causality is identified by Dow (2015). More specifically, as Dow (2015) puts it ''Uncertainty is increasingly being considered as a source of disturbance'' (p. 35) or shock, and therefore it is treated as one. Consequently, the author recognizes that uncertainty can also be the cause of disturbances or shocks. As so, a vicious cycle can be noticed with uncertainty being the cause and the result of the same phenomenon. Hence, when the effects and the potential consequences of a crisis are taken into consideration and examined thoroughly, uncertainty and its key role should always be accredited and appropriately treated.

Moving on further from the scope of uncertainty and focusing more on the uncertainty avoidance and examining peoples' attitude in times of uncertainty, what distinguishes high from low scores in that particular national cultural dimension is how it is experienced. Panagiotopoulou et al. (2013), for instance, mention that low tolerance for uncertainty (or high uncertainty avoidance) is experienced through feelings of anxiety, ambiguity, and sadness. Moreover, people tend to engage in risky behaviors, such as fights or demonstrations, aiming to decline the existing levels of ambiguity (Dang, 2014) , while at the same time, feelings of urgency and insecurity exist in high levels (Panagiotopoulou et al., 2013). Additionally, the fear of unexpected situations prompts people in favor of rules, customs, norms, and religions that can contribute torisk the establishment of structured, safe and well-functioning societies (Hofstede et al., 2010).

Societies characterized by high tolerance for uncertainty (or score low in the uncertainty avoidance dimension) are also known as risk-tolerant. Does this mean that risk and uncertainty are related? Even though, both terms describe an unknown future situation, Knight (1921) claims that there is a fundamental distinction between the two terms. Risk is related to an unknown future situation, in which the probability of an outcome is known or it can be estimated (Neamtiu et at., 2014). On the other hand, uncertainty is similarly related to unknown future situation, but the probability of an outcome cannot be estimated (Neamtiu et at., 2014). Mihet's (2012) analysis consists a practical example in which the relationship of risk-taking behavior and uncertainty is being empirically examined. The evidence suggests

that low levels of uncertainty aversion promote less risky behaviors since the consequences of potential failure are more easily accepted. Furthermore, loose behaviors are more common and the presentation of substantial evidence is not vastly demanded (Zaremba, 2010), since trust and certainty are some of the emotions that exist vastly among colleagues under a collaborative environment. In addition, feelings of risk, uncertainty, and ambiguity about future outcomes exist in low levels (Imoh, 2015), while people also perceive threat and difference in a more tolerant manner (Rothmann, 2014).

What Hofstede obtained from the IBM research program was information related to employees' beliefs, as part of the company, but also their point of view as members of a society. Significant results obtained from this research program was a correlation between the mean answers related to job stress, bending or breaking company rules and employees' loyalty to the company, which revealed that on national average level, highly job stressed employees were less tolerant in bending or breaking the rules and were more willing to continue working at IBM (Hofstede et al., 2010). It is important, however, to acknowledge that these correlations did not exist within individuals (Hofstede et al., 2010). Individuals react differently owing to their beliefs, their values and ethics. Hofstede et al., (2010) interpret these correlations from a societal level, in which countries' average scores on the above-mentioned questions represent signs of anxiety about an unknown and unpredictable future. Hence, the generalization of the derived by the World Values Survey results contributed to the development of the uncertainty avoidance dimension; an index that takes into consideration cultural characteristics.

2.2 The European Debt Crisis

Examining the impact of uncertainty avoidance on labor market reforms, it is essential to acknowledge the influential role of significant events. A recent example of such an event, which coincides with the examined time span of this study, is the European debt crisis. During the end of 2009, signs of public budget deficits, mainly focusing on the Southern European countries surfaced (Kouretas & Vlamis, 2010). Among those countries, Greece consists a distinctive case. Despite the pre-determined deficit levels EU members had to comply with, Greece's public debt exceeded these limits by far (Sapir et al., 2014). Several causes that led to that outcome are being identified. The unrealistic data reports (Lane, 2012; Kouretas & Vlamis, 2010), which were considered as signs of government corruption (Kouretas & Vlamis, 2010), the lack of fiscal consolidation and the drop of competitiveness levels, as well as the low domestic saving rates and the increased dependence on external borrowing, all contributed into the exacerbation of the country's economy (Patra, 2012).

Moreover, emphasizing the phenomenon of the Greek governments cooking the books and misreporting, Little (2012) states that these acts did not take place when the burst of the European crisis occurred, but when all these frauds became known. Specifically, the journalist refers to two events to support his claims. The first one took place in 2001, when Greece became member of the euro zone hiding the country's true deficits, while the second one took place in 2004, during a meeting Miranda Xafa, an investment house employee, had with the Former Greek Budget Minister, Peter Doukas, admitting that the budget deficit was 7% of GDP instead of 1,5%. All these evidence point that the phenomenon of manipulating the numbers in Greece had become governments' habit. A habit that when became known to the outside world, resulted in the Greeks' untrustworthiness.

Having as a goal the improvement of its economy, in April 2010 Greece signed the first agreement (Memorandum I) (IMF, 2013). However, the inefficiency of the implemented measures raised questions (Lane, 2012), resulting in the extension of the first agreement with a second one, in July 2011 (Memorandum II) (Dedoussopoulos et al., 2013; IMF, 2013). Unexpectedly thought, the first two agreements didn't provide the desired results, leading to a third Memorandum and the implementation of further austerity measures. (European Council, 2015)

Originally, the main focus of the adopted measures was a reduction in the public deficit and the implementation of pension and salary cuts. With respect to reforms in the labor market, the deregulation of the labor market was one of the main objectives aiming to a decrease in the labor costs (Dedoussopoulos et al., 2013; Kouretas & Vlamis, 2010; Szczepanski, 2013; Moreira et al., 2015; Sapir et al., 2014). Employment protection, wage-cost reduction, collective bargaining and labor market policies were also some of the issues that were included in the reform packages (Moreira et al., 2015; Dedoussopoulos et al., 2013). The attention of this study, however, is not focused on why these measures were included in the reform packages in the first place, but why labor market reforms were needed? What kind of institutions hampered their goal and how these institutions are related to culture?

Having in mind that these questions need to be answered, an approach examining Greece's national cultural dimensions can provide some evidence of explanation. In particular, throughout the literature several cultural dimensions, as they were mentioned earlier, have been developed. Taking into consideration the analysis of Inklaar & Yang (2012), the uncertainty avoidance dimension can provide some significant insights in sufficiently addressing these questions. In this study, both the negative effects of the crisis and the high uncertainty levels prevailing during a crisis are equally acknowledged. Consequently, having established the theoretical framework related to the cultural dimension of uncertainty avoidance in general and the influence of the European debt crisis on uncertainty, in the next chapter (Chapter 3), the independent variables directly related to uncertainty are being examined. More specifically, government corruption and social dialogue, as well as their relationship with the uncertainty avoidance dimension are being discussed in detail.

3. Determinants of the labor market and labor market reforms in Greece

In this chapter, government corruption and social dialogue as well as their influence on the labor market reforms are discussed. More specifically, government corruption and social dialogue between the trade unions and the employers (and in certain circumstances with the European Institutions), are acknowledged and treated as highly significant determinants of the labor market reforms. Attention is also attributed to the dominant role of uncertainty avoidance. As it will be explained in the following paragraphs, government corruption and social dialogue, two factors that have an influence on labor market reforms are not entirely independent. Uncertainty avoidance, let alone the high level of uncertainty avoidance prevailing in Greece, has a principal role. Since government corruption and social dialogue are both subjected to influences from this particular national cultural dimension, their relationship is investigated further.

The next sections in this chapter are structured as follows; first, necessary information regarding government corruption and social dialogue as independent entities will be provided. Next, each variable and their relevance to labor market will be discussed. Subsequently, the next part of this chapter uses the theoretical framework that has been established up until this point, recognizing the significance of the uncertainty avoidance and its impact on government corruption and social dialogue (section 3.1). Then, the study continues focusing on the five major categories directly influenced from the implementation of labor market reforms (section 3.2), while a short analysis explaining why reforms in Greece fail follows (section 3.3). This chapter ends with the development of the hypotheses which will be empirically tested in Chapter 4 (section 3.4).

3.1 Government Corruption and Social Dialogue

In this section, government corruption and social dialogue, the two variables included in the conceptual model developed in Chapter 2, are described more thoroughly in this section. The analysis in this section examines both variables independently. Nonetheless, uncertainty avoidance consists common denominator in both sub-sections (section 3.1.1 & 3.1.2).

3.1.1. Government corruption

What is governance? What is government corruption? How uncertainty avoidance is related to government corruption? These are all questions an answer to which is provided in this section. Governance is defined as "the manner in which power is exercised in the management of a country's economic and social resources for development" (The World Bank, p. 1). In order to address this particular variable more effectively, the World Bank identifies six dimensions. The six governance indicators, as they are also known, consist the outcome of a combination of surveys in developed and developing world, while enterprises, citizens, and experts comprise the data source of the conducted services.

This study acknowledges that all six governance indicators can have a significant influence on labor market reforms. However, the center of the analysis will be mainly focused on the last one; the one of Control of Corruption. A definition derived from the World Bank describes the

Control of Corruption dimension as a measure that ''captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests'', (The World Bank, 1992, p. 1). In a similar way, Peters and Welch (1978) elaborate more in-depth the term of political corruption. From a legal point of view, they identify political corruption as the behavior that violates certain rules, while Saleim and Bontis (2009) make use of the definition that identifies corruption as ''the misuse of public power for private benefit'' (p. 167). Since several definitions have been provided, the study dives deeper into the analysis providing illustrations from other researches regarding the government corruption and relation with the uncertainty avoidance dimension.

Government corruption in Greece is not a recent phenomenon, but rather a long-lasting plague. Substantial evidence can be found in the article ''Eye-Popping Greek Corruption'' by Zoakos (2010). The journalist mentions that signs of corruption can be traced more vividly when Greece became member of the European Community (currently known as the European Union). Since then, a great number of corruption scandals have been revealed. Surprisingly, however, only five of them have been persecuted in court and the verdict in each case wasn't either clear or impartial (Zoakos, 2010). According to Danopoulos (2014), ''the abuse of public power for private gain, … and the evident difficulty to put Greece on a sound economic footing'' (p. 107), consists the foundations of corruption.

Examining the concept of corruption more thoroughly, several forms of corruption are being identified. Danopoulos (2014), for instance, highlights bribery, money embezzlement and the existence of a law in favor of the political leaders as a few of these forms. Regarding the law that ''supports'' political corruption, Zoakos (2010) refers to the content of the relevant law (N.2509/1997) according to which it ''is practically impossible to prosecute ministers and even members of parliament for crimes committed while in office'' (Zoakos, 2010, p. 1). Additionally, Greece's political system is based on bureaucratic processes and in combination with the weak judicial institutions, it results in the prosperity of corruption (Danopoulos, 2014; Jacobides, 2012).

Another factor that has sustained government corruption in high levels is the endorsement of politicians, political parties and parliaments in general, by the mass media. Danopoulos (2014), for instance, argues that the Greek media presented the necessity of structural reforms as a matter of secondary importance. In line with Danopoulos (2014), Jacobides (2012) claims that the press was also part of this unethical behavior since the distortion of information and the promotion of unrealistic optimism and expectations would guarantee the re-election of the governing parties. Additionally, Baboulias (2013) refers to two fundamental principles of journalism that journalists tend to neglect; the one of balance and the one of impartiality. In particular, the journalist provides two examples in order to support his claims. More specifically, the uneven allocation of time political parties on tv, mainly in favor of the governing party or the coalition government, as well as the phenomenon of reporting news from only one point of view, such as the the country's economic prosperity skipping the part of increased unemployment, heavy taxation and country's inability to effectively collect taxes, are all indications of bias and distortion in mass media.

In support of Baboulias's (2013) claims, statistical evidence with respect to the Freedom of Press, an index that describes the degree of freedom mass media enjoy, including printed

forms such as newspapers, broadcasts and digital media (Dunham, Nelson, & Aghekyan, 2015) are being provided in *Figure 2*. The Freedom to Press index includes and evaluates the pressure journalists suffer from three different environments. The legal environment, which includes the constitution and the laws that determine the freedom of the press, the political environment, which describes the political interference on the content published by the mass media, and last but not least the economic environment that takes into consideration factors such as the financial crisis and austerity policies. As it appears in *Figure 2*, Greece's score on the Freedom to Press Index in 2012 was 30 (on a scale from 0-100 with low scores pointing high press freedom and high scores pointing low press freedom) (Dunham, 2016). However,the country's increasing trend in the Freedom to Press Index in 2012 until 2015 (scoring 51) coincidies with political imbalances, as well as the pressure from the European crisis, leading the country for the first time in the category of Partly Free (Dunham, 2016). Additionally, Greece's current score is 37 on the Freedom to Press index, holding the 6th place among the European countries with the lowest freedom to press scores (See *Figure 3*).

Figure 2: *Evolution of Press Freedom for the last 20 years[1]*
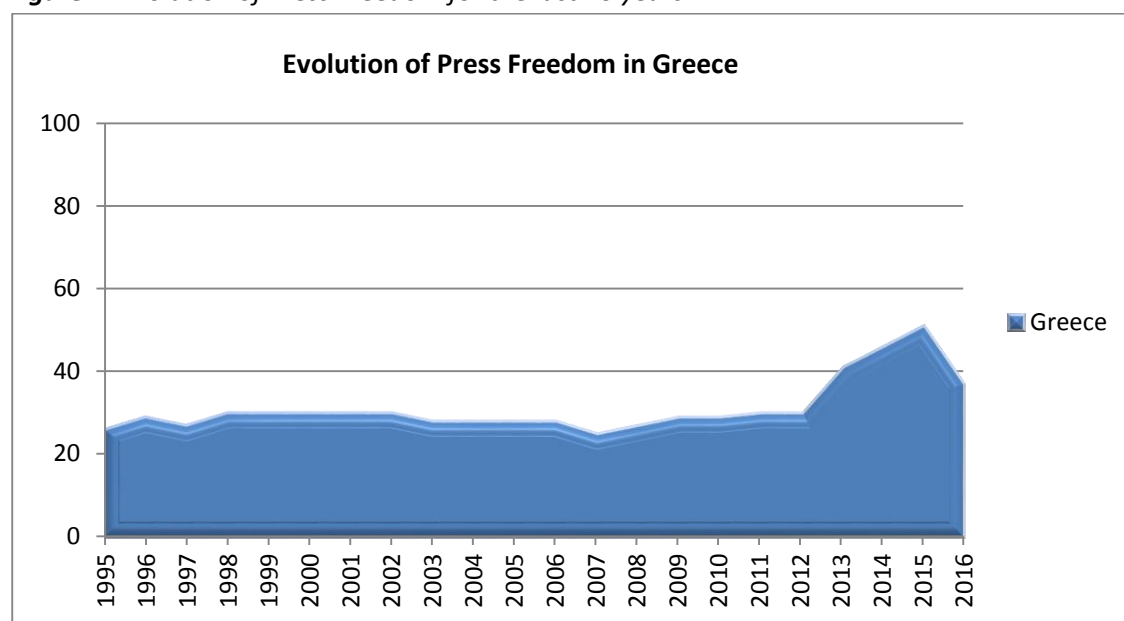
The governments' unwillingness to implement structural reforms, which could restore the country's competitiveness and lower labor market costs, deteriorated the country's economy. Jacobides (2012) suggests that instead of focusing on the implementation of those structural reforms, attention should be turned to one specific goal, the re-structuring of the public administration. Since the assignment of leading positions in the public sectors was to supporters of political groups, these persons were engaged more often in political scandals. At this point, it is worth mentioning that besides Greece and the Greek politicians, there are also other interested parties engaged in political corruption acts. Exceeding the Greek boarders, Zoakos (2010) refers to two German companies, Ferrostaal and Siemens, and their participation in political scandals aiming to clarify that corruption is not developed only within the country's political system, but its origins can also be traced in foreign countries. Additionally, it should be taken into consideration that power distance, also one of the four

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[1] *Evolution of Press Freedom for the last 20 years, data derived from Dunham, Nelson, & Aghekyan (2015),* Dunham (2016)

cultural dimension developed by Hofstede, highly correlates with corruption (Seleim & Bontis, 2009).

Figure 3: *European Countries' Ranking and Press Freedom Scores*[2]

European Countries' Ranking and Press Freedom Scores

Legend:
- Not Free (**Purple**)
- Partly Free (**Yellow**)
- Free (**Green**)
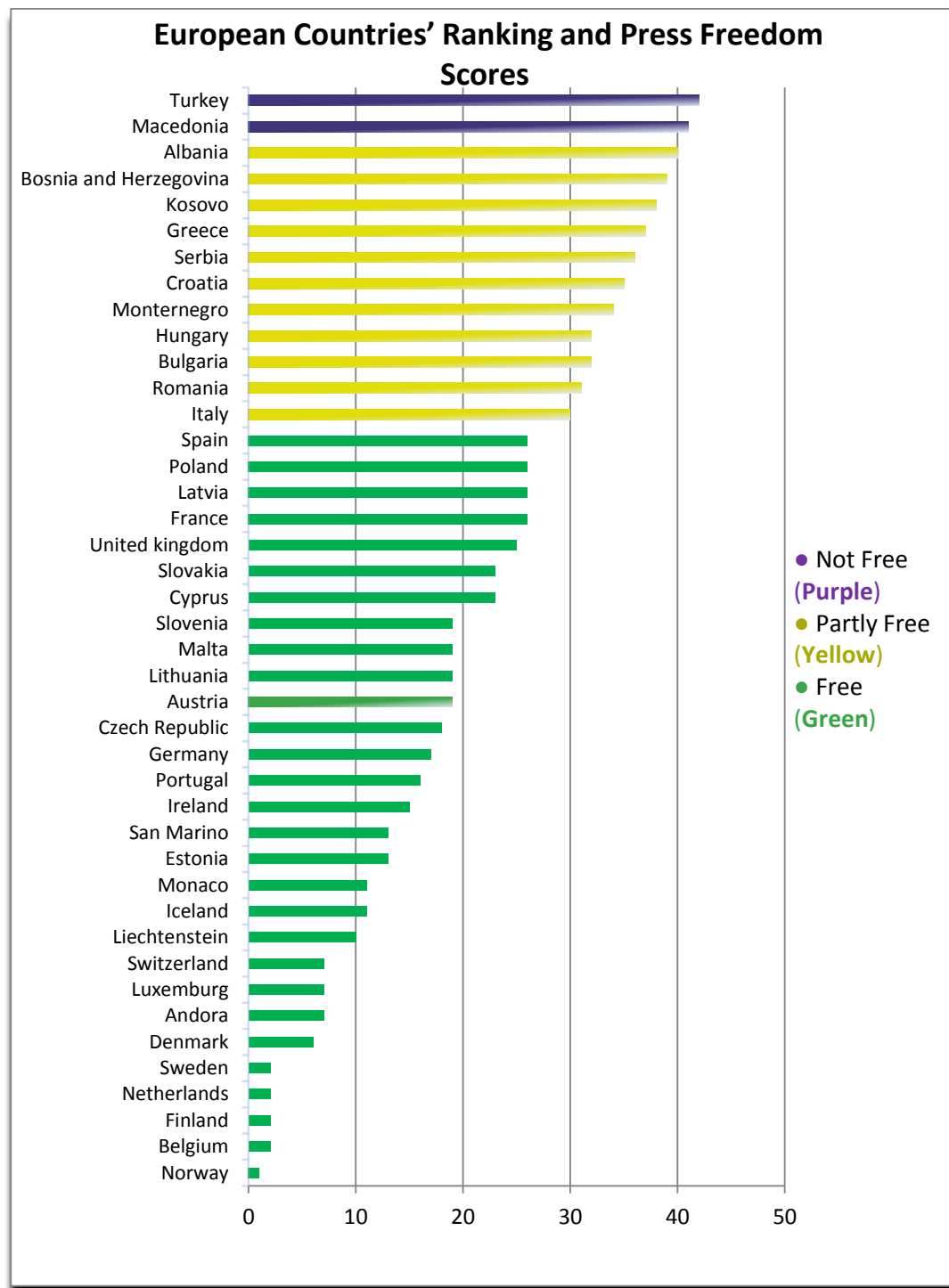
However, even though this study investigates the relationship of government corruption and culture, it does so by examining the topic from the aspect of only one cultural dimension, the one of uncertainty avoidance. According to Saleim and Bontis (2009), the existing in a society cultural values determine the perception of ethical and unethical behaviors, and as such, the corruption practices. Serafeim (2015) argues that in order to overcome the crisis, Greece has to become more competitive and increase its innovative capacity. The existence of highly

[2] *European Countries' Ranking and Press Freedom Scores, data derived from (Dunham, 2016)*

bureaucratic procedures, however, achieves the exact opposite; it limits the country's competitive and innovation capacity. Additionally, bureaucratic procedures support unethical practices, since the achievement of goals through informal procedures is more easily accomplished (Seleim & Bontis, 2009). High scores in the uncertainty avoidance dimension also influence the implementation of structural reforms, since the increased risk of unknown future outcomes limits the development and implementation of new, innovative ideas that could result in an improvement of the Greek economy (Serafeim, 2015).

It is interesting though for someone to realize that once corruption practices are established, their dismissal is followed by an increase in the uncertainty levels (Seleim & Bontis, 2009). Hence, a paradox is being developed. Even though corruption is undesirable, the consequences from the process of wiping it out are unattractive, leading to unwilling and insufficient efforts towards its elimination.
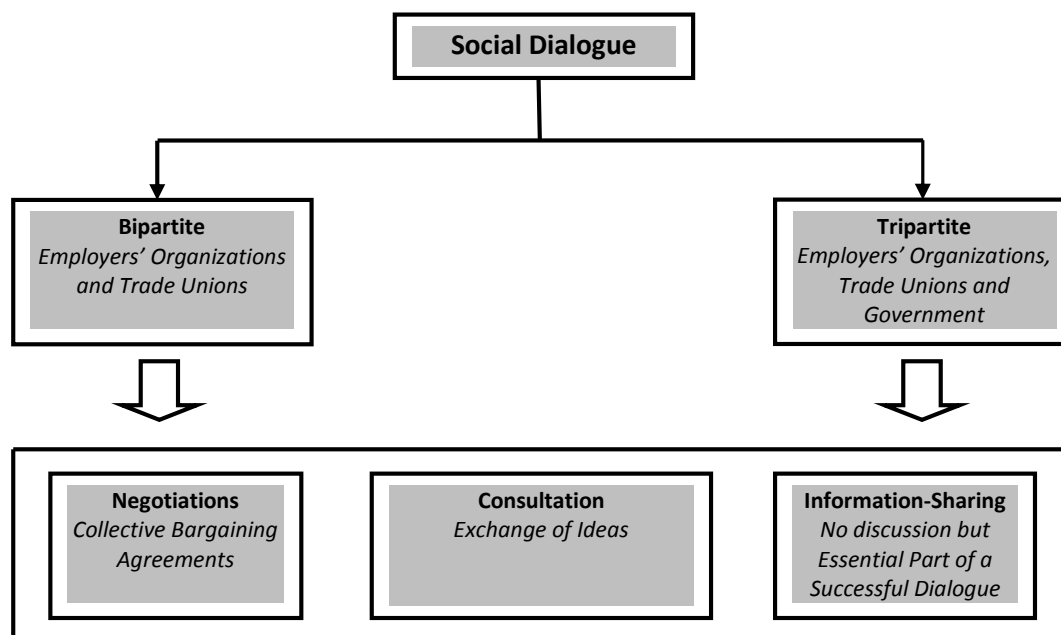
3.1.2. Social Dialogue

Besides government corruption, social dialogue consists the second variable through which the influence of uncertainty avoidance on labor market reforms is examined. The International Labor Office (ILO, 2015) defines social dialogue as the process during which representatives from different interest groups (employers, trade unions, governments) exchange views, ideas, and negotiate or bargain an agreement. There are two types of dialogue. Bipartite, which is the dialogue that takes place between employers' organizations and trade unions, and tripartite dialogue, during which employers, trade unions, and governments are involved (ILO, 2015). Three different aspects of the social dialogue can be examined, namely; negotiation, consultation, and information – sharing (ILO, 2005). The participants, as well as the actual social dialogue process are depicted in *Figure 4*.

The two fundamental pillars of a productive social dialogue are the right of being a member of an association or a trade union and the right to collective bargaining (Hayter & Stoevska, 2011). Trade unions are organizations that represent employees' rights and promote their interests (Thomas, 1999). Acas[3], an independent organization that deals with work related problems, identifies nine different types of union representatives. Moreover, Patra (2012) provides an in-depth analysis of the structure of the Greek labor movements, or trade unions, in Greece. Deriving information from GSEE (General Confederation of Greek workers employed in the private sector), she distinguishably describes a three-tier structure. A graphical illustration regarding the structure of the labor movements in Greece and a brief description of each component is provided (see *Figure 5*). Local Unions and Associations of Persons consist the primary level of the trade union structure in Greece. Next, 73 Federations and 81 Labor Centers dispersed around the country represent the secondary level. Last, the sum of the 73 Federations and 81 Labor Centers results in the development of the third level known as Confederations. Along with GSEE, ADEDY (the General Confederation of public sector employees) also belongs to the third level of the labor movements (Patra, 2012).

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[3] According to Acas the nine types of union representatives are; Union representatives, Union learning representatives, Health and safety representatives, Information and consultation, European consultative bodies, Pension representatives, 'TUPE' representatives, Collective redundancy. For more information see (Acas, 2014) .

Figure 4: *Participants and the three aspects of social dialogue*

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                         ┌─────────────────────┐
                         │   Social Dialogue   │
                         └─────────────────────┘
                 ┌──────────────────┴──────────────────┐
                 ▼                                     ▼
   ┌──────────────────────────┐          ┌──────────────────────────┐
   │       Bipartite          │          │       Tripartite         │
   │ Employers' Organizations │          │ Employers' Organizations,│
   │    and Trade Unions      │          │   Trade Unions and       │
   │                          │          │      Government          │
   └──────────────────────────┘          └──────────────────────────┘
                 ⇩                                     ⇩
   ┌──────────────────────────────────────────────────────────────────┐
   │  ┌────────────────┐  ┌────────────────┐  ┌────────────────────┐  │
   │  │  Negotiations  │  │  Consultation  │  │ Information-Sharing │  │
   │  │   Collective   │  │  Exchange of   │  │  No discussion but │  │
   │  │   Bargaining   │  │     Ideas      │  │  Essential Part of │  │
   │  │   Agreements   │  │                │  │     a Successful   │  │
   │  │                │  │                │  │      Dialogue      │  │
   │  └────────────────┘  └────────────────┘  └────────────────────┘  │
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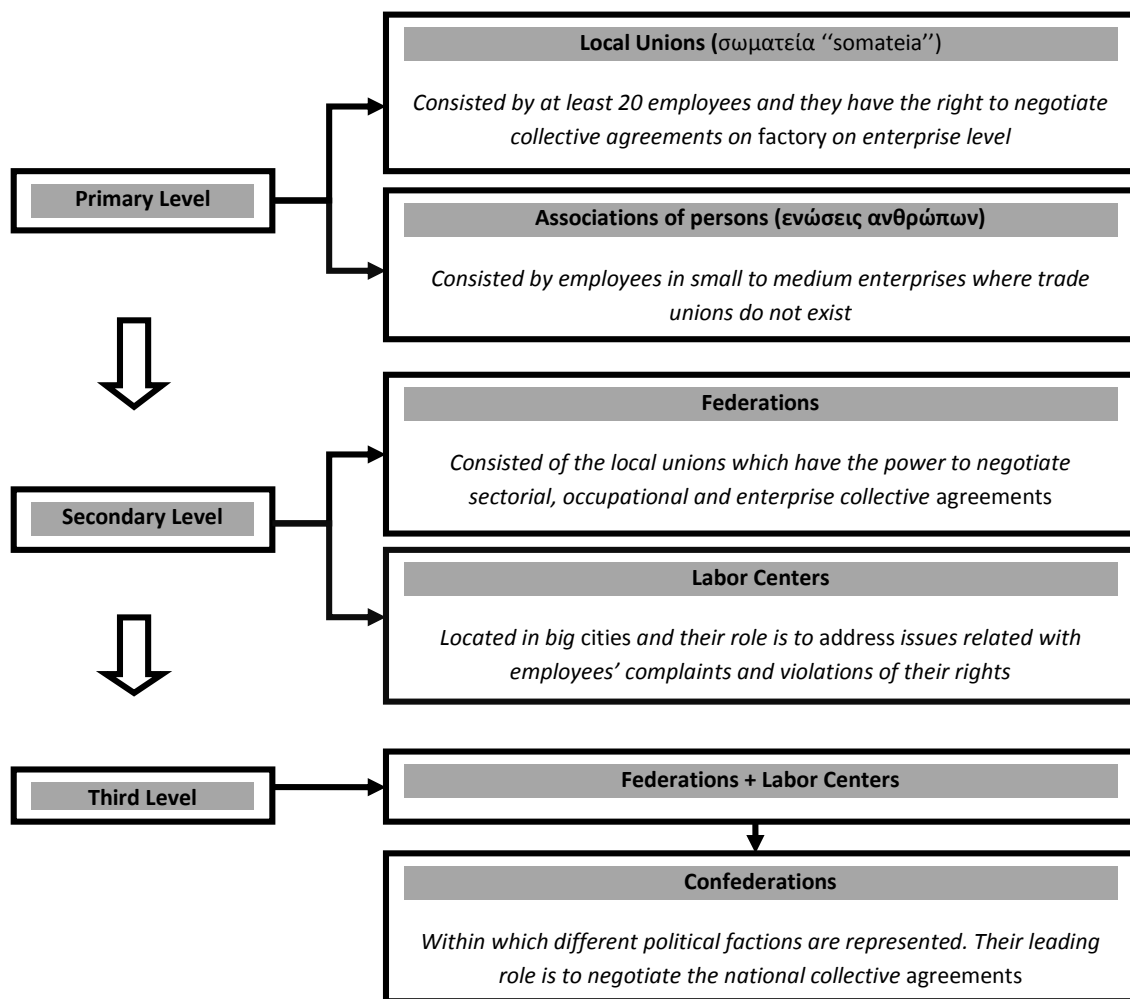
The second pillar of social dialogue is the employers' and trade unions' right to come together and reflect upon issues such as industrial relations, working conditions, occupational safety and the minimum wage levels (ILO, 2015). The EGSSE (National General Collective Employment Agreement) is the outcome of the collective bargaining process. In time of the recent crisis, trade unions faced many challenges, since the implementation of structural reforms was more than crucial.

With respect to the labor market reforms, many researches explain how the right to collective bargaining was influenced. Davies and Vadlamannati (2011) elaborate on the race to the bottom regarding the labor standards and the desire for a reduction in labor market costs. More specifically, the authors explain that collective bargaining increases labor market costs. Since reforms in the labor market were aiming at a reduction in these costs, their implementation by adopting legislation procedures was considered as more cost efficient, and as such, the collective bargaining right was to a great extent dismissed (Danopoulos, 2014). On the expense of social dialogue, a right that was established in Greece in 1990 (Patra, 2012), concerns about the fairness and efficiency of those reforms were raised (Davies & Vadlamannati, 2011).

Within an environment of high uncertainty, Proudfoot and Lind (2015) claim that people tend to seek fairness. Additionally, Filopoulou (2012) argues that the implemented labor market reforms suggested by Troika (IMF, European Commission and the ECB) clearly succumb to violations of social rights. Hence, feelings of injustice and trustworthiness among the Greek citizens prevail, and in combination with the uncertain labor market reform outcomes, both resulted in the aversion of their implementation (Danopoulos, 2014). Hence, the aversion to implement reforms can also be realized more clearly if uncertainty and uncertainty avoidance are taken into consideration. As it will be explained more thoroughly in the next chapter (Chapter 4), despite the fact that the citizens were aware that the implementation of reforms was necessary, these reforms would open the doors to a new and unknown world. A world that deviates from two fundamental principles established in highly uncertainty avoidance societies, the one of stability and the one of security about the future.

Figure 5: *Structure of Labor Movements in Greece[4]*

Local Unions (σωματεία ''somateia'')
Consisted by at least 20 employees and they have the right to negotiate collective agreements on factory *on enterprise level*

Associations of persons (ενώσεις ανθρώπων)
Consisted by employees in small to medium enterprises where trade unions do not exist

Primary Level

Federations
Consisted of the local unions which have the power to negotiate sectorial, occupational and enterprise collective agreements

Labor Centers
Located in big cities and their role is to address issues related with employees' complaints and violations of their rights

Secondary Level

Federations + Labor Centers
Confederations
Within which different political factions are represented. Their leading role is to negotiate the national collective agreements

Third Level

3.2 Labor Market Reforms in Greece

It is of great importance that before moving on with the analysis and introducing the methodological approach of this study in the next chapter (Chapter 4), the consequences of the structural reforms implemented in the Greek labor market should be examined. Greece, along with some other periphery countries in the euro zone, was a country that experienced the true severity of the European debt crisis. Aiming to contain its influences, the Greek governments with the assistance of support mechanisms (EFSF[5], ESM[6]), the European Central Bank (ECB) and the International Monetary Fund (IMF) embarked on a venture to support and improve the country's economy. Until recently, three bailout programs have been accepted by the Greek governments while the last one is still in progress (BBC, 2015). Originally, the implementation of structural reforms that could improve the country's competitiveness,

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[3] *According to Acas, the nine types of union representatives are; Union representatives, Union learning representatives, Health and safety representatives, Information and consultation, European consultative bodies, Pension representatives, 'TUPE' representatives, Collective redundancy. For more information see (Acas, 2014) .*
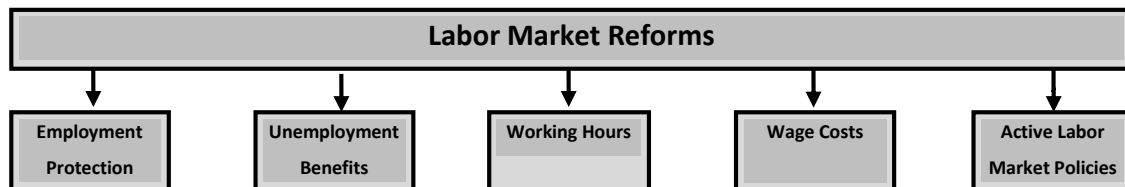
[4] *Structure of Labor Movements in Greece,* see GSEE (http://www.gsee.gr/domi/domi-gsee/)

5 *European Financial* Stabilization **Mechanism** *(EFSM)*

6 *European Stability Mechanism (ESM)*

increase growth rate and reduce governments' deficits were the main goals in the agenda of those reform programs.

With respect to the labor market, the structural reforms that were implemented basically aimed at a reduction in the labor costs. In this section, the last part of *Figure 1* is examined. More specifically, in terms of the labor market reforms in Greece, Moreira et al., (2015) identifies five major categories that were directly influenced from the implementation of those reforms. Hence, each category will be briefly discussed while an effort to present their outcome will also be made.

Labor Market Reforms				
Employment Protection	Unemployment Benefits	Working Hours	Wage Costs	Active Labor Market Policies

3.2.1 Employment Protection

The implementation of reforms in the labor market was accompanied by changes in the notification procedure, the severance pay as well as the protection of unfair dismissals (Moreira et al., 2015). More specifically, these changes included a reduction in the maximum 24 months notice period to 6 months, and a significant reduction in the amount of the severance pay (Kokolakhs, 2012). Additionally, the impact of lowering hiring and firing costs resulted in a decrease in the investments in human capital, which in their turn resulted in an increase in labor mobility (Campos & Nugent, 2016). Hence, the lax employment protection measures the implemented reform packages supported, resulted in an increase in the number of lay-offs.

Although the number of lay-offs increased, in general, some sectors witnessed an increase in employment rates. The trading and services sectors witnessed an increase in the number of employees hired since 2013 (Labour Institute INE-GSEE, 2015) (*see Figure 6*). Additionally, it is quite interesting to realize that besides the fluctuations noticed in the country's employment levels, there was an increasing trend in the number of temporary employment *(see Figure 7)*. Examining this trend more thoroughly, there was a remarkable swift of permanent to temporary employment, between 2011 and 2012, of 1%. Despite the fact that this swift might seem insignificant, according to previous permanent and temporary employment levels, in the years between 2011 and 2013, there was a total 2% increase in the temporary employment. It is also equally significant to realize that this time period coincides with the implementation of reforms in the labor market and a decrease in the employment protection regulations (Moreira et al., 2015).

3.2.2 Unemployment Benefits

Several reforms with respect to the unemployment benefits can be identified. In Greece, the most significant reforms took place in 2012, when the second economic adjustment program was signed (European Commission, 2012). According to Moreira et al. (2015), these reforms resulted in a reduction in the unemployment benefits by 22% and a decrease in the duration citizens were eligible for unemployment benefits. Additionally, the annual income threshold

that serves as a means test increased from 5.000€ to 12.000€ in 2012 and reduced again to 10.000€ in 2013 (Moreira et al., 2015). Additionally, a significant change occurred in the financial support parents with dependent children used to be entitled. More specifically, Karamessini (2015) identifies that ''all child tax allowances, as well as the benefits for large families have been abolished'' (p. 253).

Figure 6: *Employment in the Trading and Service Sector[7]*
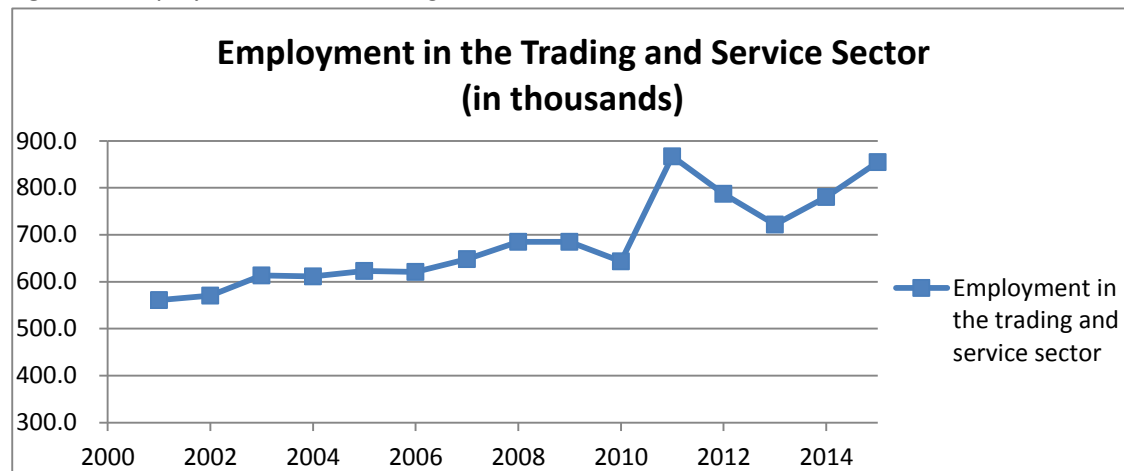
**Figure 7:** *Permanent and Temporary Employment[8]*
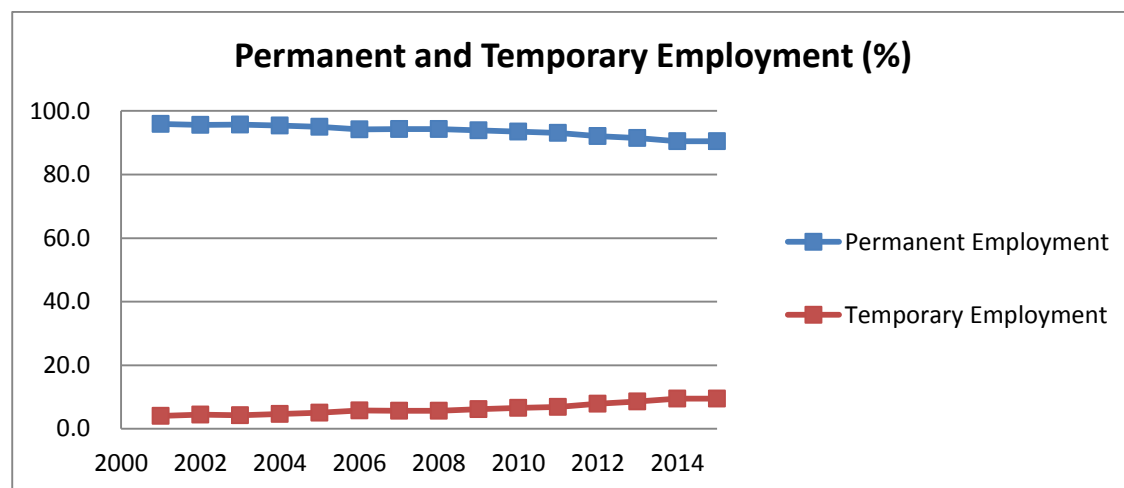
3.2.3   Wage Costs

Reductions in the level of minimum wage were also a significant part of the implemented labor market reforms. In Greece, the implemented reforms influenced differently the determination of minimum wages depending on age criteria (Yannelis, 2014; Dedoussopoulos et. al, 2013). Minimum wages are defined by the general national collective agreements (GNCA) (Dedoussopoulos et. al,2013; Anagnostopoulos and Siebert, 2012). A recent report issued by Eurostat (2015), enumerates the existing size of monthly minimum wage in countries members of the European Union. According to the statistics, the monthly minimum wage in Greece was 684€ (January, 2015), however, this number by itself has limited use. The purchasing power (PPS), should also be taken into consideration before a conclusion about a country's economy, and more specifically the citizens' living standards, is reached.

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[7] *Data derived from Hellenic Statistical Authority (due to lack of statistics, 2008 and 2009 data have been averaged within the sample). For more information visit: www.statistics.gr*
[8] *Data derived from Hellenic Statistical Authority, for more information visit: www.statistics.gr*
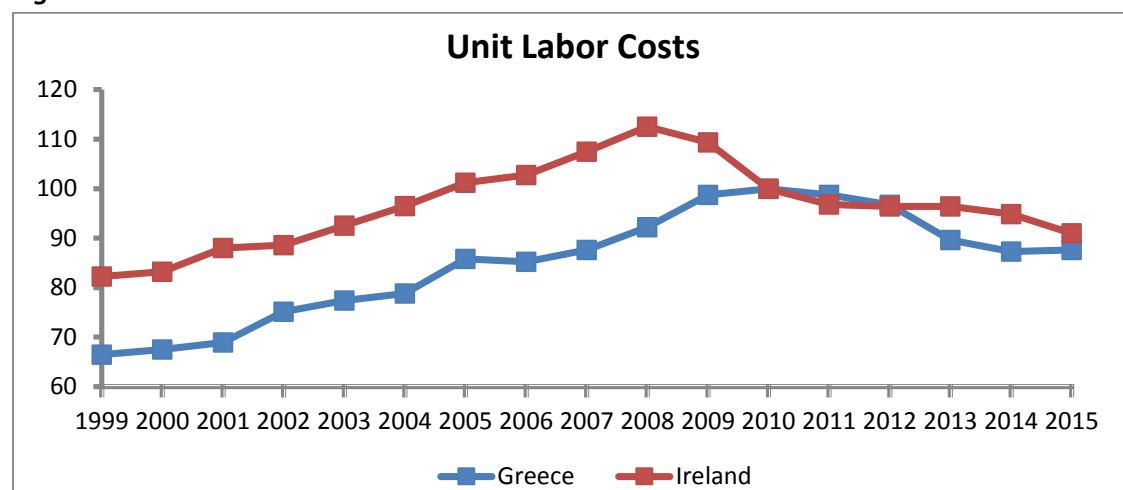
According to *Figure 6*, in 2010 both Ireland and Greece were on the same level in terms of unit labor costs. However, in 2010 Ireland had already managed to achieve a reduction in its unit labor costs comparing to its former highest levels in 2008, while on the same time Greece's unit labor costs reached the highest levels ever recorded. Even though both countries were influenced by the European crisis, Ireland reacted quickly and achieved a reduction in its unit labor costs. On the other side, Greece noticed an increase in its unit labor costs during 2008-2009 before managing to control that increase and finally achieve a noticeable reduction in 2012.

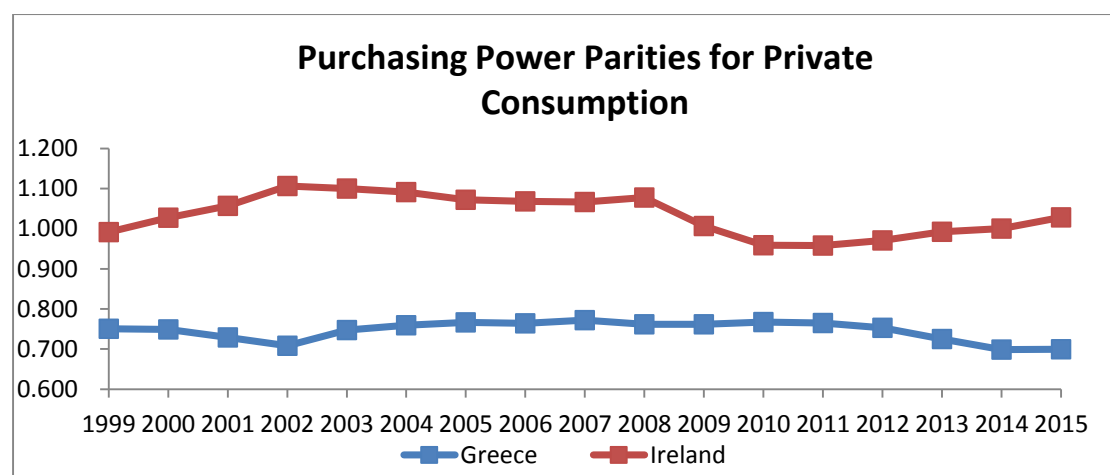**Figure 7:** *Purchasing Power Parities for Private Consumption[10]*

Figure 7, describes the Purchasing Power Parities for private consumption in Ireland and in Greece. Taking into consideration Ireland's scores in the labor unit costs, it seems that citizens witness a reduction in their consumption habits, at the same time a reduction in the unit labor costs takes place. However, later in 2010, Ireland's private consumption shifted and signs of improvement were noticeable, since unit labor costs were also decreased. On the other hand, Greece's delayed reduction in unit labor costs was accompanied by a reduction in the country's private consumption. While, at a certain level, the necessary reductions in the unit labor costs were achieved, according to the index of Purchasing Power Parities for private consumption, the citizens' living standards were not improved.

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[9] *Unit labor costs, data derived from OECD database*

[10] *Purchasing Power Parities for private consumption, data derived from OECD database*

3.2.4   Working Hours

The number of working hours specify the number of hours someone has to devote to his/her work. Working hours act regulations determine the number of allowed working hours per day and per week (Werkgelegenheid, 2010). Currently, the legal working hours per week in Greece are eight hours per day, forty-eight hours per week (Astraparis, 2015). Specific regulations also exist regarding working hours during the night (Europa, 2016). The implementation of reforms in the Greek labor market was accompanied by reductions in the costs of overtime employment and changes in the working hour regulations (Moreira et al., 2015)

3.2.5   Active Labor Market Policies

Last but not least, active labor market policies (ALMPs) are interventions that aim at increasing employment opportunities and improving the mismatch between employment skills and available jobs (Escudero, 2015). Moreira et al. (2015) recognize the recruitment incentives and the support of training/internship programs that were part of the implemented reforms. Despite the high unemployment rate in Greece (24.9% in 2015, estimated to 24.7% in 2016, (European Commission, 2016)), OAED, the Organization of Employment of the Labor Force in Greece, provided a great number of EU funded employment programs to reduce unemployment. According to the European Commission (European Commission, 2016), the ''long-term unemployment (LTU) is one of the main indicators from which the adequacy and/or success of ALMPs (and public employment services) can be judged'' (p. 3). Hence, based on the current high unemployment rate in Greece, the effectiveness of the ALMPs can be questioned without a doubt.

3.3 Why did reforms in Greece fail?

A country's political stability is considered crucial for an effective and successful governance. However, the implementation of reforms in Greece that would result in the establishment of more effective and successful governance was more than hampered, as a result of both the extensive power politicians enjoy and the weaknesses identified in the country's public administration system. Tsafos (2012) explains that the governments' inability to successfully implement reforms is owned to the country's weak public administration processes. Some of the weaknesses identified are the ineffective structure of the public sector, the insufficient access to information and the lack of coordination. Additionally, taking into consideration the numerous political interventions in public administration matters, such as the promotion of friendly or relative faces into administrative positions that later could be proven helpful in the process of imposing their strategies and ideas (Jacobides, 2012), politicians' reluctance to implementation reforms is more than justified.

In order to provide a better understanding regarding when reforms take place and what influences their implementation, Tsafos (2012) makes a distinction between two concepts; the one of "ability" and the one of "desire" to implement reforms. The concept of "ability" refers to the quality of the institutions and the bureaucratic processes, and the extent to which both can develop and implement reform plans. The concept of "desire" is consisted of two parts, a) the social acceptance regarding the necessity to implement reforms and b) the agreement with respect to in which field reforms need to be implemented. It is quite obvious that the second concept is by far more complicated than the first one. The four possible

combinations of a country's desire and ability levels that determine the implementation of reforms are being presented in *Figure 8*. More specifically, a combination of low desire-low ability means that no reforms are being implemented, while a combination of high desire-high ability means that there is a fast implementation process. Regarding the remaining two combinations, namely; low desire-high ability and high desire-low ability, it means that in order to implement reforms, in the first case an improvement in the existing institutional framework needs to be established, while in the second case the final decision depends on the politician's unanimity with respect to any reform plan.

Figure 8: *Desire and Ability to implement reforms* [11]

		Ability	
		Low	High
Desire	**Low**	No reforms are being implemented	The implementation of reforms necessitates political unanimity
	High	The implementation of reforms necessitates institutional improvement	Immediate reform implementation

Providing statistical evidence obtained from a poll conducted in Greece in 2011, while at the same time taking into consideration the number of strikes and demonstrations that took place in Greece, Tsafos reaches a remarkable conclusion. The evidence points that over 56% of the respondents acknowledge the need to implement fundamental changes in the country's existing institutions , while a 33% of the respondents believe that in order to implement these changes, in reality, an uprising is rather imminent. Additionally, the actual implementation of reforms that took place in Greece was more than uneven, since it was clear that these new measures were favoring certain groups, resulting in a reduction in their social acceptance (Tsafos, 2012). The author concludes that the necessity of reforms is widely known and accepted, however, the content of those reforms is still ambiguous.

Furthermore, in support of Tsafos's (2012) arguments, Eleftheriadis (2015) identifies that the implemented reforms in Greek labor market, such as pension and salary cuts, heavier taxation etc., were stricter against the middle class. An answer to the questions of why that discrimination took place and why did those reforms focus on the middle class is provided in the next few sentences. Eleftheriadis (2015) mentions that the political parties in Greece always had a close relationship with the country's elite. The elite, exercising its power through the media and supported by the lax regulations promoted by the political system, managed to protect its interests and shared them with politicians. Additionally, politicians managed to remain in power providing their support to small groups and trade unions mainly operating in the public sector.

According to the author, two ''employment groups'' are acknowledged that benefited from the cooperation of the elite and the politicians the most. More specifically, the first group is consisted of lawyers, doctors, engineers, etc., while the second one is consisted of employees in the public sector owned fully or partially by the state, such as the Public Power Corporation (DEI) and the Hellenic Railways Organization (OSE). Both ''employment groups'' together

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[11] *Desire and Ability to implement reforms, figure derived from Tsafos* (2012)

consist the country's middle class. Having in mind that the goals of the implemented reforms included the deregulation of the labor market and the reduction in the labor costs, consequences of those reforms had to be suffered by someone, and that someone was the middle class. Hence, when the time for reforms arrived and actual measures needed to be taken, these two groups, which have been ripping the benefits of lax regulations for years, were the ones that had to suffer the most changes. As such, even though the implementation of reforms might seem uneven and unfair towards certain groups, those reforms were the ones that tried to fix the uneven and unfair existing regulations.

In line with Tsafos's (2012) arguments that the political and public administration systems themselves hinder the implementation of reforms in Greece, Mouzelis (2003) adds some further aspects. The Greek democratic regime is not solely defined by the governing party or a coalition of parties and the opposing parties that determine the country's governance. Mouzelis (2003) identifies that politicians and political parties, in general, have been constantly interfering in the country's institutions (education, employment, health care system etc.) creating irregularities and hampering the functionality of the state machinery. The author recognizes three mechanisms through which the party-state system resulted in the failure of any reform plans. Those three mechanisms are; the change of goals, when the implementation of necessary reforms was sought as an opportunity by politicians to accomplish other goals, the endless shifts of politicians in power, due to the country's lack of political stability, and the absence of supervisory institutions that could guarantee a sound political system.

3.3.1 Change of Goals

In general, the implementation of reforms aims towards society's prosperity. Taking into consideration the complexity and multidimensionality of any reform plan, it is clear that its implementation can be a gradual and a long-term process. Surprisingly, this process takes place and is considered successful when no political interests are at stake. More specifically, according to the author, politicians act on their own personal or party's interests, they take into consideration the goals, as they have been stated in the reforms plans, and implement reforms up to the point no political interests are at stake. Claiming that their acts are in line with the reform goals, as well as with their duty to support citizens' interests, they try to firmly establish their position through implementing measures that promote a beneficial image. A distinctive example of these acts is the excessive hiring rates identified in the public sector, also known as ''parasitic employment''. Due to a decline in the employment absorption rates noticed in the beginning of the 20th century, politicians increased the number of employees in the public sector, aiming not only to promote friendly faces to administrative positions that could provide their support in time of future need but also to gain the support of more citizens. Hence, the goals of reforms became the means to fulfill new goals and different purposes always beneficial for politicians, resulting in their failure to implement reforms successfully.

3.3.2 Endless shifts of politicians in power

Not only the successive alternation of politicians in power but the constant cabinet reshuffles influence the success of any reform programs. Referring to the efforts made by several ministers to develop and improve the functionality of the ministry they were assigned, Mouselis reaches a contradicting conclusion. Even though several reform efforts by ministers

in power took place and a great number of those efforts included well-structured and promising measures, their effectiveness could only be realized on the long run. However, time was not at the misters' disposal. Due to constant changes in the country's political scene, every time a new politician would rise in power, the tendency of fulfilling personal interests, such as hiring supporters in the public sector, has always been one of the first priorities. Consequently, at the expense of evaluating former ministers' work and focusing on the implementation of changes and structural reforms that could improve the country's functionality, political rivals and personal interests frequently dominated in every politicians' agenda.

3.3.3 No supervision, no transparency

Last but not least, Mouselis (2003) recognizes that the limited autonomy of non-governmental institutions that could at a certain level monitor, evaluate and supervise politicians' actions is an equally significant factor that influences the process of successfully implementing reforms. In support of the argument that politicians in power are elected according to the country's constitution and consist citizens' representatives, having society's interest at first, the claim of no further supervision needed is justified and accepted. Surprisingly, politicians' inability to deal with issues of corruption and transparency, which are supported by the structure of the Greek political system itself, is completely ignored. Every time ministers and governments change, accusations of corruption and non-transparency against their predecessors are being made and an endless cycle of accusation is being perpetuated. Hence, the author reaches the conclusion that due to the lack of independent supervisory institutions that could provide solutions to the problems of corruption and transparency, the current political system promotes rival behaviors shifting the attention from what is really needed, reforms that could diminish those undesirable acts.

3.3.4. How uncertainty avoidance contributed to the failure of reforms in Greece?

According to theory, countries ranking high in the uncertainty avoidance index are characterized by calculated risk decisions, they rely on formalized policies, and last but more importantly they show significant opposition to change (Grove, 2005). Given that the outcome of any reforms is the amendment or adjustment of existing mechanisms, as well as the establishment of new more efficient and productive procedures, it is clear that any changes caused by the implementation of reforms come in contrast with one characteristic of uncertainty avoidance societies, the one of resistance to change. Examining the three mechanisms mentioned earlier, which result in the failure of reforms in Greece, uncertainty avoidance provides significant insights that explain that failure. More specifically, since uncertainty avoidance societies are characterized by opposition and reluctance to change (Grove, 2005), the elimination of the three mechanisms, which hamper the successful implementation of reforms, would generate changes. However, even though the outcome of these changes might be promising and could yield some positive results, the changes themselves are considered unwanted, contributing in the firmer establishment of three mechanisms.

3.4 Hypotheses

According to the theoretical framework that has been established and since an answer to the two sub-questions originally raised in Chapter 1 has been provided - reminding; the two sub-questions were related to the influence of government corruption and social dialogue on the labor market reforms, as well as the impact the uncertainty avoidance on that relationship - two hypotheses are being examined. Taking into consideration the country's high scores in the uncertainty avoidance index for decades, its influence on the government corruption and social dialogue is examined over time. Hence it is expected that within a cultural environment of high uncertainty avoidance:

H_1: The influence of government corruption on labor market reforms will be negatively significant.

H_2: The influence of social dialogue on labor market reforms will be negatively significant.

It should be made clear that this study takes into consideration the indirect influence of the country's high ranking in the uncertainty avoidance index. Thus, under a cultural environment of low uncertainty avoidance, the influence of government corruption and social dialogue on the labor market reforms is expected to be positively statistically significant. As it was explained in this chapter, uncertainty avoidance influences both government corruption and social dialogue. Ranking low on the uncertainty avoidance index would result in the reduction in the number of government corruption acts due to a sound, transparent and well performing political system. Regarding the influence of low uncertainty avoidance on social dialogue, the outcome of any labor market reforms would be more efficient, since any negotiations and agreements reached would be under a collaborative environment of trust and certainty.

4. A quantitative analysis

Since the theoretical framework of the study has been established, the conceptual model developed in Chapter 2 will be empirically examined in this chapter. In order to do so, a number of choices were made regarding the research design of this study, as well as the data collection. Hence, this chapter explains these choices and at the same time raises any weaknesses/limitations regarding the methodological approach. This chapter ends with an answer to the two hypotheses raised in the end of Chapter 3.

4.1 Research Design

It is clear that examining and accessing the different types of reforms that have been implemented in the Greek labor market is not an easy task. As such, even though the multidimensional existence of those reforms is acknowledged, when it comes to the dependent variable of this study that captures the outcome of the labor market reforms, the analysis by Edwards (2007) provides some significant guidelines. More specifically, examining three different types of reforms (pension reforms, wage legislation reforms, and job security reforms), the author finds that the benefit-cost ratio among the three different types of reforms is higher when job security reforms are being implemented. Hence, this type of reform is recognized as more cost efficient and effective in eliminating labor market distortions. Regarding this case study, since the main goals of the implemented labor market reforms in Greece were similar- reminding; both a reduction in the labor costs and an elimination of existing irregularities in the labor market, job security reforms will consist the center of this analysis. The strictness of employment protection - individual and collective dismissals (regular contracts) is an index derived from the OECD database that measures the stringency of employment protection legislation (EPL) and as such, it will fill that purpose of capturing any changes in the job security regulations.

With respect to the independent variables this study uses in order to capture their influence on the labor market reforms, as it was mentioned earlier in Chapter 3, these two variables are the government corruption and the social dialogue. However, at this point, it should be made clear and realized that in order to measure and access the outcome of any reforms, this can be done only indirectly. Turrini et al. (2014), identify the existence of two types of databases that can be used for that purpose. These two types are known as descriptive and indicator-based databases. What distinguishes the descriptive from the indicator-based database is that the former includes detailed information that is suitable for micro-level analysis, usually used in the policy domain, while the latter includes data suitable for macro level analysis. Due to the fact that the latter is more suitable for statistical analysis, indicator-databases will consist the main data source for this study. Hence, regarding the influence of government corruption on labor market reforms, the control of corruption index derived from the World Bank database, will capture that significant influence.

In terms of the social dialogue, Hayter and Stoevska (2011) identify two indicators that capture the influence of social dialogue namely; the collective bargaining coverage ratio and the trade union density. The trade union density is an index that corresponds to the ratio of

trade union members divided by the number of salary and wage earners. Nonetheless, the authors mention that the trade union density indicator describes the union membership as a ratio of the salary and wage earners but ''it does not reflect the bargaining power of the unions'' (p. 2). Addionally, further weakness with respect to that particular indicator is described in the analysis by Kuruvila (2006). According to Kuruvila (2006), a negative relationship is one of the weaknesses this particular indicator suffers. More specifically, she mentions that ''union density is a proxy of union strength and as a basis for (social) dialogue is questionable in countries where (trade) unions are not independent and subject to authoritarian control''p184.

In practice, authoritarian control has been ruling among the Greek trade unions for years. Tsintzilonhs (2000) explains that the country's elite has always been in authoritarian positions. Promoting the image of equality and collaboration among the trade union members, the elite acts in favor of political interests in exchange for their support, aiming to establish and maintain their advantageous position. Hence, with respect to the two social dialogue indicators, the collective bargaining coverage ratio derived from the ILOSTAT database[13], will capture the extent to which terms of employment are being influenced by collective agreements. All variables are briefly described in Table 1.

Table 1
List of variables, definitions and sources.

Variable	Definition	Source
Dependent Variable		
Job Security Reforms	Index of Strictness of employment protection – individual and collective dismissals (regular contracts)	OECD. Stat
Independent Variables		
Government Corruption	Control of corruption index	World Governance Indicators 2000–2013
Collective Bargaining Coverage	Collective bargaining coverage rate (%)	ILOSTAT Database

The reader should have in mind that this study is developed from a cultural approach. More specifically, this means that the interpretation of any results is based on the fact that Greece has been ranking high on the uncertainty avoidance index for decades, and that uncertainty avoidance attitude influences the independent variables (government corruption and social dialogue). Since the dependent variable (strictness of employment protection - individual and collective dismissals (regular contracts)) is examined over time, a time series regression analysis is conducted in order to confirm or reject the hypothesis developed in Chapter 3. Below, the examined model is being presented. Due to the fact that this analysis is a case study in Greece (it is not a cross-cultural analysis), and the fact that culture (values) remain generally constant through time (De Jong, 2009), it is not included in the time series model. However, as it was mentioned earlier, any interpretation of the results will be based on taking that particular dimension into consideration.

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[13] *For more information about the data obtained from the ILOSTAT database visit*
http://www.ilo.org/global/statistics-and-databases/lang--en/index.htm

Model

$$LBR_t = \beta_{0i} + \beta_1 CC_t + \beta_2 CollBarg_t + \varepsilon_t \quad (1)$$

Where LBR_{it} is strictness of employment protection legislations index, CC_{it} is the control of corruption index, the CBC_{it} is the collective bargaining coverage and ε_{it} is the error term.

4.2 Empirical Analysis

Based on the statistical data collected and the methodological approach of the study presented in Section 4.1, in this section, the conceptual model developed in Chapter 2 is empirically assessed. Originally, since this study is developed from a cultural approach, the influence of the European debt crisis on uncertainty and more specifically on uncertainty levels in Greece is being presented (Section 4.2.1), On the aftermath, how uncertainty avoidance comes to the fore in time of crisis is also analyzed in Section 4.2.1. In Section 4.2.2 the empirical approach of the study is being explained. Consequently, this chapter ends with concluding remarks summarizing the findings of the empirical analysis (Section 4.3).

4.2.1 Crises and Uncertainty

The relationship between crisis and uncertainty is one of the key elements explained in the analysis provided by Inklaar & Yang (2012). The authors acknowledge the existing causality between a financial crisis and uncertainty - the former results in an increase in the later. Having in mind Inklaar & Yang's (2012) analysis, this study takes into consideration the recent European debt crisis and how it contributed to an increase in the uncertainty levels in Greece. An increase that also resulted in the resurface of a national cultural dimension directly related to uncertainty, the one of uncertainty avoidance, in which Greece has been ranking high for decades.

An effort to identify the time link between the burst of the European debt crisis and an increase in uncertainty levels in Greece is being presented in the next few paragraphs. Even though certain weaknesses with respect to different proxies or indicators used in the empirical literature to measure uncertainty are being identified by Jurado et al. (2015)[14], in this study, the volatility of the Greek stock exchange market returns will be used. In the analysis of Jurado et al., the authors identify that the volatility of stock market returns is an index that can succumb to changes without any actual changes related with ''uncertainty about economic fundamentals, if leverage changes, or if movements in risk aversion or sentiment are important drivers of asset market fluctuations'' (p. 1178). Hence, any interpretation of that particular index is made with caution.

The KEPE GRIV Index[15] is used to capture the Greek stock exchange market volatility. An increase in the Greek stock market volatility did not start at the end of 2009, when the first signs of the European debt crisis appeared more vividly, but in the second semester of 2008 (See *Figure 9*), during another major crisis, the one of subprime mortgage crisis in U.S. The

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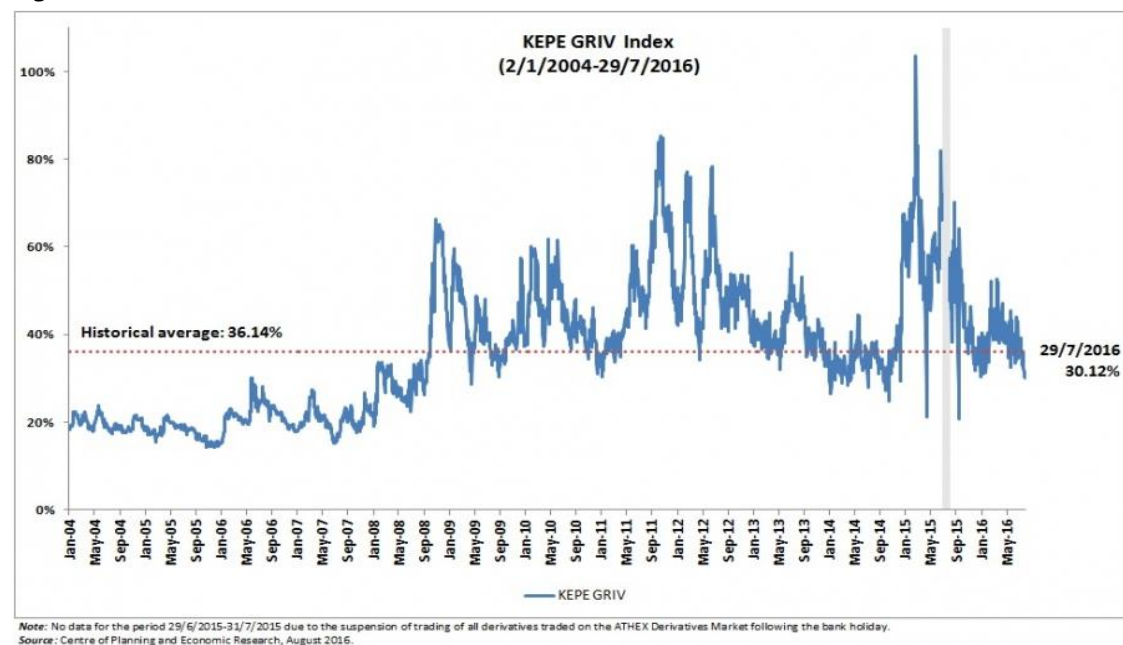[14] *According to Jurado, Ludvigson, & Ng (2015) idexes or proxies that have also been used thought the literature to measure uncertainy are stock returns, productivity, and firm profits.*

[15] *The KEPE GRIV Index is an implied volatility index and is calculated on the basis of the prices of FTSE/ASE. For more information visit http://www.kepe.gr/index.php/en/component/k2/item/1276-griv-index*

excessive fluctuations identified in that particular index , which in this case are associated with an increase in uncertainty levels, provide additional evidence that in time of crisis uncertainty comes to the fore. In support of this claim, Sariannidis et al. (2016) examine the Greek Stock Exchange Volatility from 2007 to 2012. The authors find that the consequences of the crisis resulted in an increase in the ASE[16] Index volatility. Hence, taking into consideration the increase in the volatility in the Greek stock market until today, it is obvious that uncertainty in Greece is high.

With respect to the cultural dimension of uncertainty avoidance, despite the fluctuations observed in the country's uncertainty levels (based on the assumption made earlier that stock exchange market volatility can be used as an indicator of uncertainty), Greece has been ranking high on the uncertainty avoidance index for decades. This means that Greeks have been sensitive to uncertainty for a long time. It also explains that Greeks have always been in support of structured societies based on laws and regulations that can provide confidence, trust, the elimination of any unknown future risks and guarantee stability (Hofstede et al., 2010).

Figure 9: *KEPE GRIV Index*[17]

Note: No data for the period 29/6/2015-31/7/2015 due to the suspension of trading of all derivatives traded on the ATHEX Derivatives Market following the bank holiday.
Source: Centre of Planning and Economic Research, August 2016.

However, stability can sometimes result in unwilling circumstances. Having in mind the scope of this study, reminding; it is to examine why labor market reforms in Greece fail, an apparent explanation can be noticed if attention is focused on only one word of the research question, the one of reforms. Reforms mean improvement or amendment of something dysfunctional, something that works in an unsatisfactory way and needs to be changed. These changes, however, can come in contradiction with existing values, laws, and regulations that have been formerly established in order to provide stability and security. Additionally, since these changes, these reforms have a disproportionate effect on different groups (the majority of the reforms had an impact on the middle class), feelings of injustice also contributed to their social rejection. The Financial Times (iefimerida, 2014), Spiegel (iefimerida, 2013) and the Swiss press (iefimerida, 2014) are some of the many sources that provide evidence regarding the status of the Greek middle class. A common denominator in all these sources is the

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[16] *ASE: Athens Stock Exchange*

[17] *Figure derived from http://www.kepe.gr/index.php/en/component/k2/item/1276-griv-index*

conclusion that the status of the middle class has been declining over the years with the implementation of further austerity measures. Thus, the strong resistance and opposition of the middle class to changes is not only justified by its deteriorating status but also from the changes themselves, since in a high uncertainty avoidance country, such as Greece, any changes are considered undesirable.

Hence, examining the problem from a theoretical perspective, it seems that uncertainty and the country's high ranking in the uncertainty avoidance dimension can justify why the successful implementation of labor market reforms in Greece has not been the case. Examining the topic now from an empirical perspective, in the remaining part of this chapter an empirical analysis trying to explain that failure is provided. More specifically, the results obtained from the estimation of the time series analysis will be presented.

4.2.2 Empirical Approach

In this section, the analysis starts with a figure depicting the time series of the three interested variables over time. More specifically, *Figure 10* depicts the course of the three indicators of social dialogue, government corruption, and labor market reforms, over time. It is more than imperative that in order to obtain valid results from a time series analysis, a test examining whether the time series are stationary or not needs to be conducted. According to *Figure 10*, it seems that stationary is not the case for all three time series. Furthermore, conducting a Dickey-Fuller test for stationary for each time series, the results verify that the time series are non-stationary. More specifically, the Dickey-Fuller tests verify that the three time series of labor market reforms, social dialogue, and government corruption are integrated order I(2), I(2), and I(3) at 5% confidence respectively. The results obtained from the Dickey-Fuller tests are being provided in Appendix 1 (p. 58).

Due to the fact that the order of integration regarding the three time series is high, their use restricts the study from conducting a time series regression analysis. Nonetheless, this restriction does not affect the ability to estimate some correlations regarding the linear relationship of the three time series and draw conclusions. Hence, *Table 1* depicts the correlation matrix including the three variables (Sep= Strictness of employment protection, CollBarg= Collective Bargaining Coverage, CC= Control of Corruption).

Figure 10: *Labor Market Reforms, Social Dialogue, and Government Corruption*
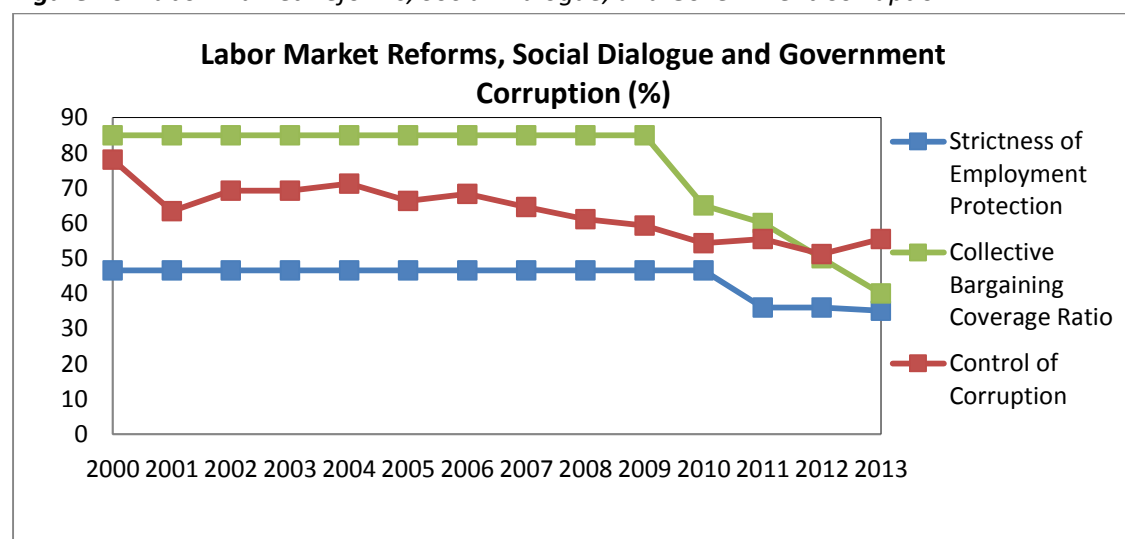
Table 1. *Correlation matrix*

```
                  Sep CollBarg        CC

       Sep |    1.0000

           |       14

  CollBarg |    0.9151*  1.0000
           |    0.0000
           |       14       14

        CC |    0.6588*  0.7504*  1.0000
           |    0.0104   0.0020
           |       14       14       14
           |
```

The Pearson correlation coefficient between Strictness of Employment Protection and Collective Bargaining Coverage (the two indicators of labor market reforms and social dialogue respectively) is 0.9151 and the p-value is 0.0000. Since the p-value is lower than the 5% confidence level, it is an indication that there is a significant relationship between the two variables. As it is depicted in *Figure 10*, when Collective Bargaining Coverage decreases, Strictness of Employment Protection tends to decrease too. Additionally, since the obtained coefficient is higher than 0.8 (0.91>0.8), according to Evans (1996), the estimated correlation describes a very strong positive association between the two variables.

In a similar way, the Pearson correlation coefficient between Strictness of Employment Protection and Control of Corruption (the two indicators of labor market reforms and government corruption respectively) is 0.6588 and the p-value is 0.0104. Since the p-value is lower than the confidence level of 5%, it is an indication that there is a significant relationship between the two variables. Additionally, since the obtained coefficient is higher than 0.6 but lower than 0.79 (0.6<0.0658<0.79), according to Evans (1996) the estimated correlation describes a strong positive association between the two variables. Nonetheless, even though there is a positive strong association between the two variables, *Figure 10* provides evidence that when the indicator of labor market reforms experienced a decline in 2011, the indicator of government corruption witnessed an increase and in the following years it remained relatively steady.

Consequently, taking into account the limited data availability, as well as the non-stationary variables, the original scope of this study to examine the direct influence of social dialogue and government corruption on labor market reforms in a highly uncertainty avoidance society cannot be materialized conducting a time series analysis. Nonetheless, what can be examined is the strength and direction of association of social dialogue and government corruption with labor market reforms conducting a correlation analysis.

According to the correlations estimated, collective bargaining coverage (CollBarg), the indicator of social dialogue, has a statistically significant relationship with Strictness of Employment Protection (Sep), the indicator of labor market reforms. The significant relationship between the two variables can be more easily identified in the figure below (see *Figure 11*). Examining the two time series depicted in *Figure 11,* both are more or less constant until 2009, and thereafter they both decline. So, even though the statistically significant relationship comes from the similar course of the two time series over the entire

examined time period, it is worth paying attention to the time period fluctuations in the values of the two indicators are noticed.

Figure 11: Labor Market Reforms and Social Dialogue

Strictness of Employment Protection-Collective Bargaining Coverage (%)
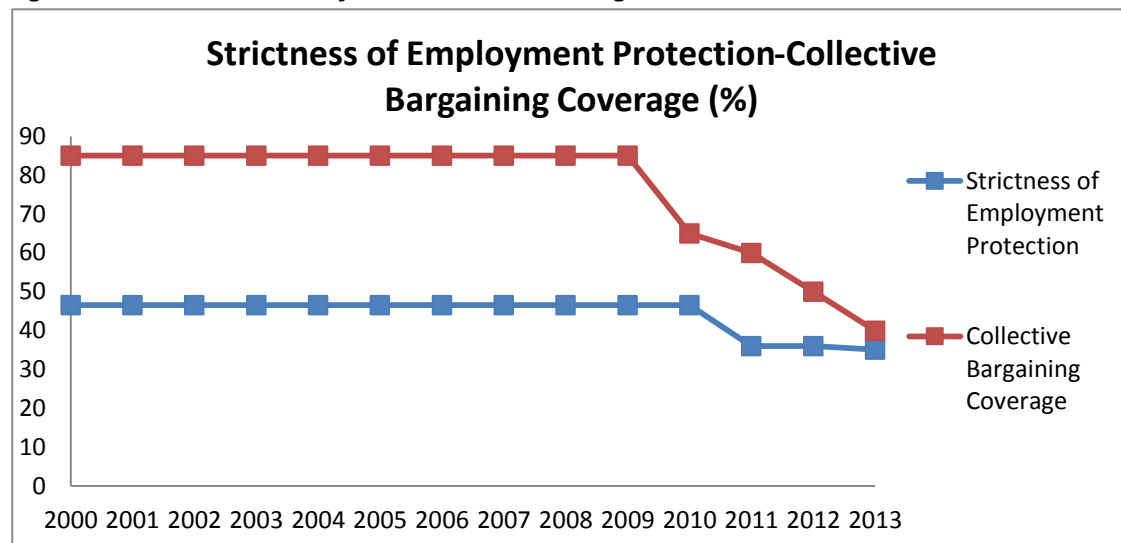
The decline in the indicator of social dialogue in 2010 is related to the implementation of legislative interventions on the social dialogue processes by the state. In particular, Kapsalis and Triantafyllou (2013) identify that on the onset of the crisis these legislative interventions distorted the mechanisms of social dialogue. The bipartite and tripartite dialogue, during which negotiations regarding employment terms used to take place, were replaced by a ''hypothetical dialogue'' since there were no negotiations due to the fact that the content of any potential agreement had already been defined in the signed memorandum. Hence, the ''deteriorations'' of the employment terms and the decline in the collective bargaining coverage ratio in 2010, are both an indication that the power used to be exercised through social dialogue was declining. As a consequence of that decline in the power of social dialogue, any resistance on behalf of the trade unions was fruitless and less strict employment protections regulations managed to be enacted the following years. Hence, it can be concluded that a change in the indicator of labor market reforms could be associated with a change in the indicator of social dialogue.

Regarding the association of government corruption with labor market reforms, the results provide evidence that there is a strong positive association between the two variables. The difference between the strong and very strong association, which describes the relationship of government corruption and social dialogue with labor market reforms respectively, is more than reasonable. Comparing *Figure 11*, which describes the indicators of social dialogue and labor market reform over time, and *Figure 12*, which describes the two indicators of government corruption and labor market reform over time, it is clear that the in *Figure 11* the two time series follow much less a similar pattern, while in *Figure 12* they don't.

In terms of the strong correlation between the two time series described in *Figure 12*, it seems that an increase in the indicator of government corruption could be related to a decline in the indicator of labor market reforms. More specifically, according to *Figure 12*, in 2010 the declining trend that had been characterizing the indicator of government corruption stopped, and an increase in that particular indicator was noticed a year later. On the other hand, the indicator of labor market reforms that has been stable for many years, in 2011

witnessed a significant decline. More analytically, an increase in the indicator of government corruption theoretically is a sign that the number of corruption acts or political interventions that have been influencing the functionality of different institutions increase. It also means that more political interventions and less respect towards the country's different institutions (such as health care, education labor market etc.) prevail.

Figure 12: *Labor Market Reforms and Government Corruption*
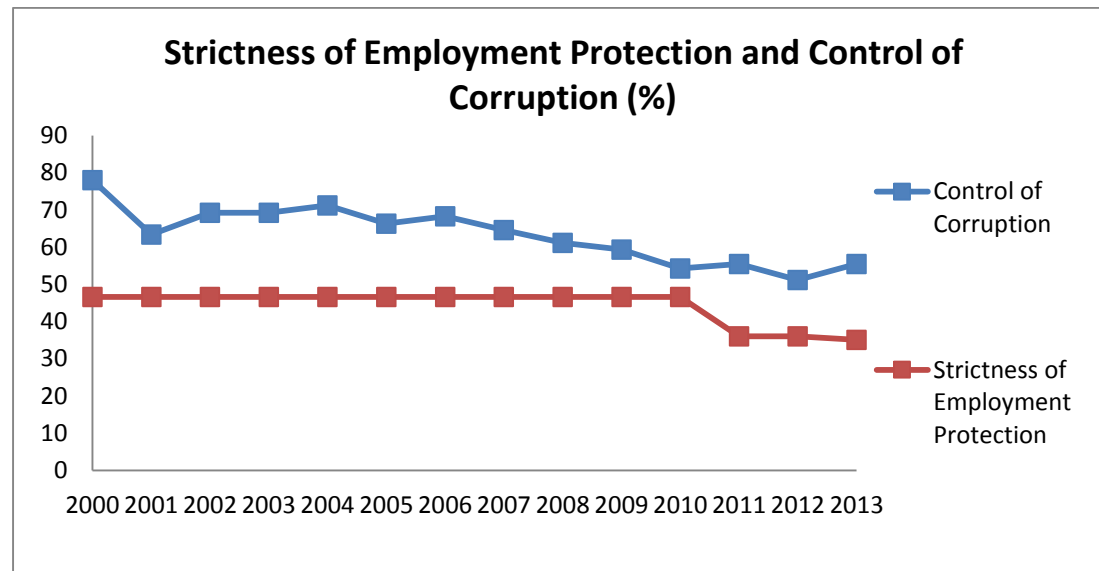
 In practice, the number of political corruption acts or interventions that surfaced in that particular period explains the increase in that indicator. Since the first memorandum was signed in 2010 (IMF, 2013) and the country was subjected to the supervisory control of supportive institutions, the state was obliged to implement a number of austerity measures. Doxiadis (2012) explains that politicians, regardless of which political party they were supporters, omitted to discuss measures/reforms that needed to be implemented in the country's public administration. However, the implementation of measures/reforms was either delayed or never materialized since politicians were afraid that their influential power would be eliminated. Hence, the political interventions in the country's public administration continued, or as it is depicted in *Figure 12*, in 2011 they even increased. Since the labor market is part and it is determined by the country's public administration, an increase in the number of political interventions would result in a more regulated labor market.

In support, economic theory explains that when there are no exogenous interventions in a system of variables, the system moves to a point of equilibrium. In the same way, when there are no political interventions in the labor market, the labor market would reach a point of equilibrium too. Since the implementation of reforms aims at the elimination of irregularities or/and the improvement of existing mechanisms, it is clear that when government corruption exist, such as political interventions that fulfill personal interests , any effort to obtain desired results from the implementation of reforms would be fruitless. Hence, it can be concluded that the successful implementation of reforms in the labor market is related to the changes in the levels of government corruption.

At this point, it should be taken into consideration and made clear that the interpretation of the correlation coefficients does not explain any cause and effect relationship. More specifically, the interpretation of the coefficients explained earlier, describe that a change in

the indicator of labor market reforms is related or associated with changes in the indicators of government corruption and social dialogue. Due to the correlation analysis' inability to take into consideration and identify cause and effect relationships, no conclusions regarding whether there is an influential relationship between variables can be reached. Nonetheless, since the aim of this study is to identify if, under a cultural environment of high uncertainty avoidance, social dialogue and government corruption influence labor market reforms in Greece, the study assumes that there are cause and effect relationships between labor market reforms, and social dialogue and government corruption respectively. Hence, even though the correlation analysis does not provide the necessary tools that are needed in order to answer the two hypotheses developed in Chapter 3, the study assumes that the identified statistically significant relationships discussed earlier, represent cause and effect relationships. In practice, the interpretation of the results will be based on the fact that any cause of change in both indicators of social dialogue and government corruption could have an influence on the indicator of labor market reforms.

4.3 Conclusion

The empirical analysis of this study was conducted in this chapter. Aiming to test the two hypotheses developed in Chapter 3, a time series analysis examining the influence of social dialogue and government corruption on labor market reforms in a country, such as Greece, ranking high on the uncertainty avoidance index was presented. Since this study is developed from a cultural approach, the interpretation of the results obtained from the empirical analysis is based on the fact that Greece has been ranking high on the uncertainty avoidance index, and both the independent variables (government corruption and social dialogue) are influenced by the existence of that high ranking. Nevertheless, certain restrictions regarding the data availability, as well as the non-stationary variables included in the analysis, resulted in the development of a correlation analysis that examines the strength and direction of association of the variables. An assumption regarding the interpretation of the correlation coefficients was made, so the conclusions reached below are valid only if that assumption is valid. Hence, with all restrictions encountered in the empirical part of this study, an answer to both hypothesis developed in Chapter 3 is provided below.

The first hypothesis states that in a country where high uncertainty avoidance prevails, the influence of government corruption on labor market reforms will be negatively significant. Since a country ranking high in the uncertainty avoidance index is associated with high corruption (Seleim & Bontis, 2009), it is expected that in a country with low levels of uncertainty avoidance there will be lower levels of corruption. Hence, as it was described in the theoretical part, no or less political interventions will take place, impartiality will prevail, and within a sound political system the implementation of any kind of reforms, including the ones in the labor market, would be more effective.

According to the correlation analysis, there is a strong positive association between government corruption and labor market reforms. Since, the control of corruption index captures ''perceptions of the extent to which public power is exercised for private gain'' (Kaufmann, Kraay, & Mastruzzi, 2010, p. 3), an increase in that index means that there is less respect on behalf of both citizens and state for existing institutions. Consequently, less respect towards the country's institutions means that corruption acts can take place more

easily. Hence, an increase in the number of corruption acts in more than reasonable. Examining the topic from the state's side, these corruption acts can have an influence on different institutions, whether that is education, health care or labor market. If those corruption acts are also taken into consideration as potential interventions in those institutions, an answer to the question ''Why is the Greek labor market highly regulated?'', can be provided.

Ironically, if those political interventions seize to exist, it would mean that politicians would lose their influential power on different institutions. That loss of power, however, would result in a change, which in a high uncertainty avoidance country such as Greece, is considered undesirable. In time of the recent European debt crisis when the true level of the public deficit became known (Lane, 2012), as well as when economic and political corruption scandals surfaced (Keep Talking Greece, 2016), the transparency of the country's political system was questioned. Under the supervision of the institutions that provided financial assistance to Greece, the implementation of measures, which could enhance the transparency of the political system and result in the abolishment of corruption, was demanded. Tracing the origin of politicians' wealth, the establishment of an independent authority responsible for fighting corruption, and monitoring political parties' financing, were some of those measures (iefimerida, 2015). Given that these measures would yield changes directly influencing politicians' power on different institutions, such as their influence on the labor market, it is clear that their implementation would face politicians' reluctance.

So, according to the theory, government corruption influences negatively the successful implementation of labor market reforms. Nonetheless, even though the correlation analysis points that there is a statistically significant influence of government corruption on labor market reforms, under the assumption made earlier that the correlation analysis explains a cause and effect relationship, the positive statistical relationship obtained results in the rejection of Hypothesis 1.

With respect to the second hypothesis, the obtained results provide evidence that there is a statistically significant relationship between social dialogue and labor market reforms. The positive statistically significant relationship found between the two variables points that an increase in the number of employees covered by a collective agreement results in the establishment of more strict employment protection legislations for collective and individual dismissal (regular contracts). In other words, when an increase in the indicator of social dialogue takes place, the indicator of labor market reforms increases too.

Additionally, taking into account the country's high ranking in the uncertainty avoidance index, which supports the existence of strict laws that guarantee security and stability, it is clear that any changes occurred in a country, such as Greece, would result in the disturbance of both security and stability. With respect to the indicator of social dialogue, the decline witnessed in 2009 points that the way social dialogue used to be conducted changed. In particular, the process of negotiating and reaching an agreement regarding employment issues was eliminated, since governments' plans related to employment regulations were predetermined. Subsequently, denying the trade unions' right to discuss and negotiate their employment terms was a major change in the way social dialogue used to be conducted for many years. However, it is this change that explains the strong opposition, mainly of the middle class and consequently its trade unions, to the implementation of reforms in the labor market.

Subsequently, acknowledging the influence of uncertainty avoidance and its indirect influence on social dialogue, as well as the impact of the later on labor market reforms, this study provides evidences that reject Hypothesis 2, according to which social dialogue has a negative statistically significant influence on labor market reforms. Hypothesis 2 was originally based on the fact that both the state and the supervisory institutions took into consideration that collective bargaining is an additional labor cost, and as such, it should be eliminated. In spite of this, the results of this study point that social dialogue has a positive statistically significant influence on labor market reforms. Thus, it can be concluded that it has a key role in the successful implementation of reforms in the labor market.

5. Conclusion

Aiming to provide a structured analysis, three sub questions were developed in Chapter 1 (Introduction). The first two sub-questions consist the theoretical part of this study and as such, they were answered in Chapter 2 and 3. Additionally, the last sub-question consists the empirical part of this study, which was discussed in Chapter 4. In this chapter, a short answer regarding each of the three sub-questions as well as the research question developed is provided. The chapter ends with a short discussion regarding the limitations of this study.

According to the theory, what is the relationship between labor market reforms and the two variables, government corruption and social dialogue?

According to the theoretical framework established in Chapter 2, as well as the qualitative analysis provided in Chapter 3, the relationship between labor market reforms and the two variables, government corruption and social dialogue, was explained. More specifically, theory supports that government corruption is a fundamental element that influences countries' governance. In Greece, several corruption acts have been brought into light. However, the number of these known scandals is acknowledged as the tip of the iceberg, since it is a quite common phenomenon, especially nowadays, corruption acts that took place in the past to become known in the present. Some of those corruption acts identified in the theory are; the false reporting about the true extent of the Greek debt, the use of mass media in order to influence citizens' opinion providing unrealistic information, as well as the number of politicians' acts aiming to fulfill personal interests. Regarding the impact of government corruption on the labor market, and consequently on labor market reforms, theory supports that reforms in the labor market tried to improve its competitiveness, its efficiency, and its functionality. Nevertheless, those reforms were the ones that have been supporting corruption acts, since their implementation became the means to fulfill personal or others' interests. Thus, the goals of the reform plans were not the same as the ones originally defined. During the process of implementing reforms these goals changed, and as such, the outcome of those reforms was not what was originally expected.

On the other side, social dialogue is acknowledged as the process during which interested parties come together and reflect upon employment issues. It is a right that trade unions have been invoking in order to achieve more advantageous terms during collective negotiations. Since any labor market reforms have a direct impact on employees, social dialogue is considered highly important. It provides the ability to all interested parties to express their opinion and ideas, including employees' hands-on knowledge that can provide some significant guidelines, obtained by a collaborative discussion leading towards the implementation of successful reforms.

What is the influence of the uncertainty avoidance on this relationship?

The influence of uncertainty avoidance on the two variables, namely: government corruption and social dialogue is more than important. According to theory, countries ranking high in the uncertainty avoidance index are habited by people that feel uncomfortable for unknown and surprising situations. Trying to minimize these ''influences'', they establish well-

structured societies based on values, laws, norms, religion, etc., that can guarantee safety and stability. Nonetheless, in such countries, long-lasting bureaucratic processes prevail and acts through informal channels take place. Those acts, however, are considered unethical and support the prosperity of corruption in general.

Putting government corruption under the microscope, theory identifies its roots way back in time, similar to those of high uncertainty avoidance. Taking into consideration that these corruption acts have been established in the past, even efforts towards their elimination can disturb existing stability and cause unknown outcomes. Ironically, even though these corruption acts are undesirable, the consequences from their elimination result in no action taken. Hence, it can be realized that at some point uncertainty avoidance has been maintaining government corruption.

Regarding the influence of uncertainty on social dialogue, things become much more complicated. As it was mentioned earlier, social dialogue is a significant variable that influences the successful implementation of labor market reforms. Examining the Greek labor market more thoroughly, social dialogue is a right that was established in 1990, in time of high uncertainty avoidance (Milner, Fodness, & Speece, 1993). Taking into consideration that particular time period, it is clear that any collective agreements reached in the past and continued in the next years were in support of strict rules and employment terms that could guarantee both employment stability and safety. However, in time of the recent European debt crisis, the necessity to implement reforms in the labor market was considered crucial. Under the environment of high uncertainty avoidance, the implementation of reforms yields undesirable changes in the way social dialogue used to be conducted. Hence, since any changes in a highly uncertainty avoidance countries are considered undesirable, in a similar way, changes caused by the implementation of labor market reforms on the social dialogue faced trade unions' aversion.

How do high scores on the uncertainty avoidance dimension influence these variables?

As it was explained in Chapter 4, the two hypotheses, which were examining the influence of social dialogue and government corruption on labor market reforms in high uncertainty avoidance societies, were rejected. According to the empirical analysis, between the two variables of government corruption and social dialogue, both have a positive statistical significant influence on the labor market reforms. Changes in both indicators influence the outcome of labor market reforms. Due to the existence of high uncertainty avoidance in Greece, any changes occurred in social dialogue and government corruption are expected to lead to unknown and undesirable outcomes that disturb existing security and stability. Hence, the indirect influence of uncertainty avoidance on social dialogue and government corruption discussed earlier, and the impact of both on labor market reforms, within the limits of this study are considered key variables that at a certain level determine the success or failure of labor market reforms in Greece.

Which is the influence of uncertainty avoidance on labor market reforms in Greece, in time of the European debt crisis?

Having provided an answer to the above three sub-questions, an answer to the research question of this study is clearly an easier task. Based on the evidence found, if both social

dialogue and government corruption are taken into consideration, they can provide an answer to the question ''why labor market reforms in Greece fail?''. More specifically, in time of the recent European debt crises, the decline in the collective bargaining coverage ratio, the indicator of social dialogue, noticed in 2010, is an indication of the unknown outcomes that would follow from the implementation of labor market reforms under the influence of high uncertainty avoidance. Regarding the role of government corruption in time of the recent European debt crisis, even though the indicator of government corruption is characterized by a declining trend that started in 2004, on the onset of the European debt crisis the country's ranking in the uncertainty avoidance index remained high[18], and an increase in the indicator of government corruption was witnessed a few year later in 2011. Hence it can be concluded that there might not exist significant changes in the levels of government corruption in time of the recent crises, however, it seems that uncertainty avoidance has been preserving government corruption in high levels long before the burst of the crisis.

Limitations

As in all case studies, this study also succumbs to a number of limitations. The research design of this analysis is a case study. Hence, the approach to the topic and the results obtained cannot be generalized. Therefore, the results can only be taken into consideration as indications. Moreover, since the time series examined in the quantitative analysis were non stationary, the empirical analysis was restricted to a very limited approach. Meanwhile, an assumption of a cause and effect relationship between the variables was made in order to provide an answer to the two examined hypotheses. Additionally, due to lack of data regarding the different indicators used in the quantitative part of this study, the examined time period is limited to 2000-2013. Consequently, the empirical results and the conclusions reached are representative of that particular time period and not the present. Nonetheless, this study can be used as a guideline for similar research in the future.

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[18] The country's ranking high in the uncertainty avoidance index is a conclusion based on the fact that culture (values) remain generally constant over time (De Jong, 2009) and the country's ranking was first in the uncertainty avoidance index (Hofstede et al., 2010),

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Appendix 1

- Dickey-Fuller test for unit root and optimal lag order for Strictness of employment protection (Sep) time variable.

```
. varsoc Sep

   Selection-order criteria
   Sample:  2004 - 2013                          Number of obs      =        10
```

lag	LL	LR	df	p	FPE	AIC	HQIC	SBIC
0	-30.2846				30.5606	6.25692	6.22372	6.28718
1	-25.6379	9.2934*	1	0.002	14.808*	5.52758*	5.46119*	5.5881*
2	-25.6173	.04111	1	0.839	18.2585	5.72347	5.62389	5.81424
3	-25.6173	0	1	.	18.2585	5.72347	5.62389	5.81424
4	-25.6173	0	1	.	18.2585	5.72347	5.62389	5.81424

```
. dfuller Sep,  noconstant lag(1)

Augmented Dickey-Fuller test for unit root         Number of obs   =        12
```

	Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value
		———————— Interpolated Dickey-Fuller ————————			
Z(t)	-1.091	-2.660	-1.950	-1.600

```
. dfuller d.Sep,  noconstant lag(1)

Augmented Dickey-Fuller test for unit root         Number of obs   =        11
```

	Test Statistic	1% Critical Value	5% Critical Value	10% Critical Value
		———————— Interpolated Dickey-Fuller ————————			
Z(t)	-1.941	-2.660	-1.950	-1.600

- Dickey-Fuller test for unit root and optimal lag order of Collective Bargaining Coverage (CollBarg) time series.

```
. varsoc CollBarg

   Selection-order criteria
   Sample:  2004 - 2013                          Number of obs      =        10
```

lag	LL	LR	df	p	FPE	AIC	HQIC	SBIC
0	-42.2046				331.528	8.64092	8.60772	8.67118
1	-31.9761	20.457*	1	0.000	52.6048*	6.79522*	6.72883*	6.85574*
2	-31.8895	.17311	1	0.677	64.012	6.97791	6.87833	7.06868
3	-31.863	.05303	1	0.818	80	7.17261	7.03983	7.29364
4	-31.863	0	1	.	80	7.17261	7.03983	7.29364

```
. dfuller CollBarg,  noconstant lag(1)

Augmented Dickey-Fuller test for unit root          Number of obs   =         12

                          ——————————— Interpolated Dickey-Fuller ———————————
                   Test         1% Critical        5% Critical       10% Critical
               Statistic           Value              Value              Value
─────────────────────────────────────────────────────────────────────────────────
 Z(t)            -1.240            -2.660             -1.950             -1.600

. dfuller d.CollBarg,  noconstant lag(1)

Augmented Dickey-Fuller test for unit root          Number of obs   =         11

                          ——————————— Interpolated Dickey-Fuller ———————————
                   Test         1% Critical        5% Critical       10% Critical
               Statistic           Value              Value              Value
─────────────────────────────────────────────────────────────────────────────────
 Z(t)            -0.487            -2.660             -1.950             -1.600
```

- Dickey-Fuller test for unit root and optimal lag order of Control of Corruption (CC) time series.

```
. varsoc CC

   Selection-order criteria
   Sample:  2004 - 2013                             Number of obs    =        10
   ┌─────┬──────────────────────────────────────────────────────────────────────┐
   │ lag │    LL       LR      df    p       FPE       AIC      HQIC      SBIC    │
   ├─────┼──────────────────────────────────────────────────────────────────────┤
   │  0  │ -32.6734                         49.2776   6.73468   6.70148   6.76493 │
   │  1  │ -25.4304   14.486    1   0.000   14.2061   5.48609   5.4197    5.5466  │
   │  2  │ -23.7097   3.4414    1   0.064   12.4673   5.34195   5.24236   5.43272 │
   │  3  │ -20.6509   6.1177*   1   0.013   8.49598*  4.93017*  4.7974*   5.05121*│
   │  4  │ -20.6354   .03086    1   0.861   10.8898   5.12709   4.96112   5.27838 │
   └─────┴──────────────────────────────────────────────────────────────────────┘

. dfuller CC, lag(3)

Augmented Dickey-Fuller test for unit root          Number of obs   =         10

                          ——————————— Interpolated Dickey-Fuller ———————————
                   Test         1% Critical        5% Critical       10% Critical
               Statistic           Value              Value              Value
─────────────────────────────────────────────────────────────────────────────────
 Z(t)            -1.035            -3.750             -3.000             -2.630
─────────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.7401

. dfuller d.CC, lag(3)

Augmented Dickey-Fuller test for unit root          Number of obs   =          9

                          ——————————— Interpolated Dickey-Fuller ———————————
                   Test         1% Critical        5% Critical       10% Critical
               Statistic           Value              Value              Value
─────────────────────────────────────────────────────────────────────────────────
 Z(t)            -1.662            -3.750             -3.000             -2.630
─────────────────────────────────────────────────────────────────────────────────
MacKinnon approximate p-value for Z(t) = 0.4508
```